

**SENATE BILL**

**No. 1466**

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**Introduced by Committee on Public Employment and Retirement  
(Senators Soto (Chair), Alarcon, Ashburn, Dunn, and  
Hollingsworth)**

February 23, 2006

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An act to amend Sections ~~22664~~, 22007.5, 22105.5, 22115.2, 22123, 22123.5, 22134, 22134.5, 22309, 22655, 22657, 22660, 22664, 22703, 22801, 22823, 22826, 23004, 23300, 23805, 23855, 24201, 24202.5, 24203.6, 24205, 24209, 24209.3, 24211, 24214, 24221, 24300, 24300.6, 24301, 24302, 24303, 24305, 24305.3, 24305.5, 24306, 24306.7, 24307, 24309, 24402, 24703, 24704, 24705, 25009, 25011, 25012, 25015, 25016, 25018, 25021, 25024, 26000.5, 26002.5, 26113, 26116, 26137, 26214, 26301, 26400, 26401, 26807, 26811, 26906, 26910, 27004, 27405, 27408, 27410, 27411, and 44922 of *and, to add Sections 24300.1, 24300.2, 24312.1, 25011.1, 25011.5, 25018.1, 25018.2, 26807.5, 26807.6, 26906.5, and 26906.6 to, the Education Code, and to amend Section 22009.1 of the Government Code*, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1466, as amended, Committee on Public Employment and Retirement. State Teachers' Retirement System: benefits.

(1) The State Teachers' Retirement Law permits a member *or participant of the Defined Benefit Plan*, the Defined Benefit Supplement Program, *and the Cash Balance Benefit Program*, to elect from among several forms of *retirement benefit and annuity payments*. That law prohibits the member, if he or she elects a joint and survivor annuity and retires, from changing his or her beneficiary

unless the beneficiary is the spouse or domestic partner of the member *or participant* and a judgment of dissolution, legal separation, or nullity is entered. That law further permits the member *or participant*, after that judgment is entered, to elect a new annuity beneficiary and, if that new beneficiary predeceases the member *or participant*, the member *or participant* may further change his or her beneficiary ~~unless~~. *That law further prohibits a member of the Defined Benefit Supplement Program from further changing his or her beneficiary if the member elects a modified retirement allowance with a “pop-up” feature, as specified.*

This bill would delete that restriction for the member of the Defined Benefit Supplement Program who elects a modified retirement allowance with a “pop-up” feature and permit that member, if he or she is otherwise eligible, to change his or her beneficiary.

*This bill would further revise and recast those provisions of the Defined Benefit Plan, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program for a member or participant who retires on or after January 1, 2007, who elects a joint and survivor annuity, subject to specified restrictions.*

*This bill would prohibit a member from designating a beneficiary who is a specified number of years younger than the member.*

*This bill would further permit a retired member or participant to elect a new benefit, subject to specified restrictions. This bill would require a member or participant who elects a new benefit to declare under penalty of perjury that his or her beneficiary is not afflicted with a known terminal illness. By creating a new crime, this bill would impose a state-mandated local program.*

(2) ~~Under existing~~ *that law*, the Cash Balance Benefit Program provides a retirement plan for persons who perform creditable service, as defined. Existing law permits a person who performs trustee service for an employer, if that employer elects to provide benefits under the Cash Balance Benefit Program, to elect to participate in that program for his or her trustee service.

This bill would additionally define creditable service under the Cash Balance Benefit Program as trustee service for an employer.

(3) ~~Existing~~ *That law* requires an employer to report all other information required by the retirement system to provide benefits under the Cash Balance Benefit Program.

This bill would clarify that an employer shall retain a copy of and mail the original election form of an employee participating in that program to the retirement system.

*(4) That law requires a county superintendent of schools or an employing agency, and permits a school district or community college district to submit a monthly report that includes information the board of the State Teachers' Retirement System requires to administer that retirement system. That law also requires an employer to report contributions paid on behalf of each participant in the Cash Balance Benefit Program.*

*This bill would require an employer, a county superintendent of schools, an employing agency, and a school district or community college district to submit that monthly report or contribution report electronically in an encrypted format that ensures the security of the transmitted member data.*

*(5) That law permits a member who has retired to reinstate from retirement and earn additional service credit. That law requires the State Teachers' Retirement System to calculate the member's benefit based on the retirement allowance the member was receiving prior to retirement and the service credit and compensation earnable by the member after he or she reinstated from retirement for purpose of calculating his or her subsequent retirement.*

*This bill would prohibit a member who was employed by a community college prior to July 1, 1996, who reinstates from retirement from using the compensation earnable he or she earned prior to July 1, 1996, for purposes of calculating his or her subsequent retirement.*

*(6) That law requires the board of the State Teachers' Retirement System to issue an annual statement to members of the Defined Benefit Program and the Defined Benefit Supplement Program. That law requires the board of the State Teachers' Retirement System to issue a statement to each participant of the Cash Balance Benefit Program.*

*This bill would permit the board to issue that statement to the member or participant by secured access through the Web site of the State Teachers' Retirement System, as specified.*

*(7) That law permits a member of the Defined Benefit Plan to elect to purchase additional service credit, nonqualified service credit, and out-of-state service credit if specified contributions are paid to the State Teachers' Retirement System.*

*This bill would, if a member fails to make a payment within 120 days of the due date, require the board of the State Teachers' Retirement System to cancel the election to purchase that additional service credit, nonqualified service credit, and out-of-state service credit, as specified.*

(8) The bill would also make various technical and clarifying changes to the Teachers' Retirement Law.

(9) *The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~no~~-yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 22007.5 of the Education Code is  
2     amended to read:

3     22007.5. Except as excluded by ~~Sections~~ subdivision (d) of  
4     Sections 22661 and 23812, subdivision (c) of Section 24300.1,  
5     and subdivision (d) of Sections 25011.1, 25018.1, and 26807.5, a  
6     person who is the registered domestic partner of a member, as  
7     established pursuant to Section 297 or 299.2 of the Family Code,  
8     shall be treated in the same manner as a "spouse," as defined in  
9     Section 22171.

10    SEC. 2. Section 22105.5 of the Education Code is amended to  
11    read:

12    22105.5. "Annuity beneficiary" means the person or persons  
13    designated by a member pursuant to Section 25011-~~or~~, 25011.1,  
14    25018, or 25018.1 to receive an annuity under the Defined  
15    Benefit Supplement Program upon the member's death.

16    SEC. 3. Section 22115.2 of the Education Code is amended to  
17    read:

18    22115.2. "Concurrent membership" means membership in the  
19    Defined Benefit Program by an individual who is credited with  
20    service that is not used as a basis for benefits under any other  
21    public retirement system and is also a member of the California  
22    Public Employees' Retirement System, the Legislators'

1 Retirement System, the University of California Retirement  
2 System, county retirement systems established under Chapter 3  
3 (commencing with Section 31450) of Part 3 of Division 4 of Title  
4 3 of the Government Code, or the San Francisco Employees'  
5 Retirement System. A member with concurrent membership shall  
6 have the right to the following:

7 (a) Have final compensation determined pursuant to  
8 subdivision (c) of Section 22134 *or subdivision (c) of Section*  
9 *22134.5.*

10 (b) Redeposit accumulated retirement contributions pursuant  
11 to Section 23201.

12 (c) Apply for retirement pursuant to paragraph (2) of  
13 subdivision (a) of Section 24201.

14 *SEC. 4. Section 22123 of the Education Code is amended to*  
15 *read:*

16 22123. (a) "Dependent child" or "dependent children" under  
17 the disability allowance and family allowance programs means a  
18 member's unmarried offspring or stepchild who is ~~not older than~~  
19 *under* 22 years of age and who is financially dependent upon the  
20 member on the effective date of the member's disability  
21 allowance or the date of the member's death.

22 (b) "Offspring" shall include the member's child who is born  
23 within the 10-month period commencing on the earlier of the  
24 member's disability allowance effective date or the date of the  
25 member's death.

26 (c) "Offspring" shall include a child adopted by the member.

27 (d) "Dependent child" shall not include the member's  
28 offspring or stepchild who is adopted by a person other than the  
29 member's spouse.

30 (e) "Dependent child" under the family allowance program  
31 shall not include:

32 (1) The member's offspring or stepchild who was financially  
33 dependent on the member on the date of the member's death if a  
34 disability allowance was payable to the member prior to his or  
35 her death and the disability allowance did not include an amount  
36 payable for that offspring or stepchild.

37 (2) A stepchild or adopted child acquired subsequent to the  
38 death of the member.

39 (f) "Financially dependent" for purposes of this section means  
40 that at least one-half of the child's support was being provided by

1 the member on the member's disability allowance effective date  
2 or the date of the member's death. The system may require that  
3 income tax records or other data be submitted to substantiate the  
4 child's financial dependence. In the absence of substantiating  
5 documentation, the system may determine that the child was not  
6 dependent on the effective date of the member's disability  
7 allowance or the date of the member's death.

8 (g) "Member" as used in this section shall have the same  
9 meaning specified in Section 23800.

10 *SEC. 5. Section 22123.5 of the Education Code is amended to*  
11 *read:*

12 22123.5. (a) "Dependent child" or "dependent children"  
13 under the disability retirement and survivor benefit allowance  
14 programs means a member's offspring or stepchild who is ~~not~~  
15 ~~older than~~ under 21 years of age and who is financially  
16 dependent upon the member on the effective date of the  
17 member's disability retirement or the date of the member's death.

18 (b) "Offspring" shall include the member's child who is born  
19 within the 10-month period commencing on the earlier of the  
20 member's disability retirement effective date or the date of the  
21 member's death.

22 (c) "Offspring" shall include a child adopted by the member.

23 (d) "Dependent child" shall not include the member's  
24 offspring or stepchild who is adopted by a person other than the  
25 member's spouse.

26 (e) "Dependent child" under the survivor benefit allowance  
27 program shall not include a stepchild or adopted child acquired  
28 subsequent to the death of the member.

29 (f) "Financially dependent" for purposes of this section means  
30 that at least one-half of the child's support was being provided by  
31 the member on the member's disability retirement effective date  
32 or the date of the member's death. The system may require that  
33 income tax records or other data be submitted to substantiate the  
34 child's financial dependence. In the absence of substantiating  
35 documentation, the system may determine that the child was not  
36 dependent on the effective date of the member's disability  
37 retirement or the date of the member's death.

38 (g) "Member" as used in this section shall have the same  
39 meaning specified in Section 23850.

1     SEC. 6. Section 22134 of the Education Code is amended to  
2     read:

3     22134. (a) “Final compensation” means the highest average  
4     annual compensation earnable by a member during any period of  
5     three consecutive school years while an active member of the  
6     Defined Benefit Program or time during which he or she was not  
7     a member but for which the member has received credit under  
8     the Defined Benefit Program, except time that was so credited for  
9     service performed outside this state prior to July 1, 1944.

10    (b) For purposes of this section, periods of service separated  
11    by breaks in service may be aggregated to constitute a period of  
12    three consecutive years, if the periods of service are consecutive  
13    except for the breaks.

14    (c) The determination of final compensation of a member who  
15    has concurrent membership in ~~another~~ *any other* retirement  
16    system pursuant to Section 22115.2 shall take into consideration  
17    the compensation earnable while a member of ~~the~~ *any other*  
18    system, provided that ~~all~~ *both* of the following exist:

19    ~~(1) The member was in state service or in the employment of a~~  
20    ~~local school district or a county superintendent of schools.~~

21    ~~(2)~~

22    ~~(1)~~ Service under ~~the~~ *any other* system was not performed  
23    during the same pay period with service under the Defined  
24    Benefit Program.

25    ~~(3)~~

26    ~~(2)~~ Retirement under the Defined Benefit Program is  
27    concurrent with the member’s retirement under ~~the~~ *any other*  
28    system.

29    (d) The compensation earnable for the first position in which  
30    California service was credited shall be used when additional  
31    compensation earnable is required to accumulate three  
32    consecutive years for the purpose of determining final  
33    compensation under Section 23805.

34    (e) If a member has received service credit for part-time  
35    service performed prior to July 1, 1956, the member’s final  
36    compensation shall be adjusted for that service in excess of one  
37    year by the ratio that part-time service bears to full-time service.

38    (f) The board may specify a different final compensation with  
39    respect to disability allowances, disability retirement allowances,  
40    family allowances, and children’s portions of survivor benefit

allowances payable on and after January 1, 1978. The compensation earnable for periods of part-time service shall be adjusted by the ratio that part-time service bears to full-time service.

(g) The amendment of former Section 22127 made by Chapter 782 of the Statutes of 1982 does not constitute a change in, but is declaratory of, the existing law.

*SEC. 7. Section 22134.5 of the Education Code is amended to read:*

22134.5. (a) Notwithstanding Section 22134, “final compensation” means the highest average annual compensation earnable by a member during any period of 12 consecutive months while an active member of the Defined Benefit Program or time during which he or she was not a member but for which the member has received credit under the Defined Benefit Program, except time that was so credited for service performed outside this state prior to July 1, 1944.

(b) For purposes of this section, periods of service separated by breaks in service may be aggregated to constitute a period of 12 consecutive months, if the periods of service are consecutive except for the breaks.

(c) The determination of final compensation of a member who has concurrent membership in ~~another~~ *any other* retirement system pursuant to Section 22115.2 shall take into consideration the compensation earnable while a member of ~~the~~ *any other* system, provided that all of the following exist:

~~(1) The member was in state service or in the employment of a local school district or a county superintendent of schools.~~

~~(2)~~

~~(1)~~ Service under ~~the~~ *any other* system was not performed during the same pay period with service under the Defined Benefit Program.

~~(3)~~

(2) Retirement under the Defined Benefit Program is concurrent with the member’s retirement under ~~the~~ *any other* system.

(d) If a member has received service credit for part-time service performed prior to July 1, 1956, the member’s final compensation shall be adjusted for that service in excess of one year by the ratio that part-time service bears to full-time service.



(e) The board may specify a different final compensation with respect to disability allowances, disability retirement allowances, family allowances, and children's portions of survivor benefit allowances payable on and after January 1, 1978. The compensation earnable for periods of part-time service shall be adjusted by the ratio that part-time service bears to full-time service.

(f) This section shall apply to the following:

(1) A member who has 25 or more years of credited service, excluding service credited pursuant to the following:

(A) Section 22714.

(B) Section 22714.5.

(C) Section 22715.

(D) Section 22717, except as provided in subdivision (b) of Section 22121.

(E) Section 22826.

(2) A nonmember spouse, if the member had 25 or more years of credited service, as calculated in paragraph (1), on the date the parties separated, as established in the judgment or court order pursuant to Section 22652.

*SEC. 8. Section 22309 of the Education Code is amended to read:*

22309. (a) The board shall issue to each active and inactive member, no less frequently than annually after the close of the school year, a statement of the member's individual Defined Benefit Program and Defined Benefit Supplement accounts, provided the employer or member has informed the system of the member's current *United States Postal Service* mailing address. *If the member indicates that he or she prefers to receive that annual statement through the Web site of the system, the board may, in lieu of mailing, issue the annual statement by secured access through the Web site of the system.*

(b) The board shall periodically make a good faith effort to locate inactive members to provide these members with information concerning any benefit for which they may be eligible.

*SEC. 9. Section 22655 of the Education Code is amended to read:*

22655. (a) Upon the legal separation or dissolution of marriage of a retired member, the court may include in the

1 judgment or court order a determination of the community  
2 property rights of the parties in the retired member's retirement  
3 allowance and, if applicable, retirement benefit under this part  
4 consistent with this section. Upon election under subparagraph  
5 (B) of paragraph (3) of subdivision (a) of Section 2610 of the  
6 Family Code, the court order awarding the nonmember spouse a  
7 community property share in the retirement allowance or  
8 retirement benefit, or both, of a retired member shall be  
9 consistent with this section.

10 (b) If the court does not award the entire retirement allowance  
11 or retirement ~~annuity~~ *benefit* under this part to the retired  
12 member and the retired member is receiving a retirement  
13 allowance that has not been modified pursuant to Section 24300  
14 *or 24300.1*, ~~or~~ a single life annuity pursuant to Section 25011 or  
15 25018, *or a member only annuity described in paragraph (1) of*  
16 *subdivision (a) of Sections 25011.1 and 25018.1*, the court shall  
17 require only that the system pay the nonmember spouse, by  
18 separate warrant, his or her community property share of the  
19 retired member's retirement allowance or retirement benefit, or  
20 both, under this part.

21 (c) If the court does not award the entire retirement allowance  
22 or retirement benefit under this part to the retired member and the  
23 retired member is receiving an allowance that has been  
24 actuarially modified pursuant to Section 24300 *or 24300.1*, or a  
25 joint and survivor ~~retirement benefit annuity~~ pursuant to Section  
26 25011 ~~or~~, 25011.1, 25018, *or 25018.1*, the court shall order only  
27 one of the following:

28 (1) The retired member shall maintain the retirement  
29 allowance or ~~retirement benefit~~ *joint and survivor annuity*, or  
30 both, under this part without change.

31 (2) The retired member shall cancel the option that modified  
32 the retirement allowance under this part pursuant to Section  
33 24305 and select a new joint and survivor option or a new  
34 beneficiary or both, and the system shall pay the nonmember  
35 spouse, by separate warrant, his or her community property share  
36 of the retirement allowance under this part of the retired member,  
37 the option beneficiary, or both.

38 (3) The retired member shall cancel the joint and survivor  
39 annuity under which the ~~annuity~~ *retirement benefit* is being paid  
40 pursuant to Section 24305.3, and select a new joint and survivor

1 annuity or a new annuity beneficiary or both, based on the  
2 actuarial equivalent of the member's canceled annuity, and the  
3 system shall pay the nonmember spouse, by separate warrant, his  
4 or her community property share of the retirement ~~annuity~~ *benefit*  
5 payable to the retired member, the annuity beneficiary, or both.

6 (4) The retired member shall take the action specified in both  
7 paragraphs (2) and (3).

8 (5) The retired member shall cancel the option that modified  
9 the retirement allowance under this part pursuant to Section  
10 24305 and ~~select~~ *elect* an unmodified retirement allowance and  
11 the system shall pay the nonmember spouse, by separate warrant,  
12 his or her community property share of the retired member's  
13 retirement allowance under this part.

14 (6) The retired member shall cancel, pursuant to Section  
15 24305.3, the joint and survivor annuity under which the  
16 retirement benefit is being paid, and select a single life annuity,  
17 and the system shall pay the nonmember spouse, by separate  
18 warrant, his or her community property share of the retirement  
19 benefit payable ~~benefit~~ to the retired member.

20 (7) The retired member shall take the action specified in both  
21 paragraphs (5) and (6).

22 (d) If the option beneficiary or annuity beneficiary or both  
23 under this part, other than the nonmember spouse, predeceases  
24 the retired member, the court shall order the retired member to  
25 ~~select~~ *designate* a new option beneficiary pursuant to Section  
26 24306, or a new annuity beneficiary pursuant to Section 24305.3  
27 and shall order the system to pay the nonmember spouse, by  
28 separate warrant, his or her share of the community property  
29 interest in the retirement allowance or retirement benefit or both  
30 under this part of the retired member or the new option  
31 beneficiary or annuity beneficiary or each of them.

32 (e) The right of the nonmember spouse to receive his or her  
33 community property share of the retired member's retirement  
34 allowance or retirement benefit or both under this section shall  
35 terminate upon the death of the nonmember spouse. However,  
36 the nonmember spouse may designate a beneficiary under the  
37 Defined Benefit Program and a payee under the Defined Benefit  
38 Supplement Program to receive his or her community property  
39 share of the retired member's accumulated retirement  
40 contributions and accumulated Defined Benefit Supplement

1 account balance under this part in the event that there are  
2 remaining accumulated retirement contributions and a balance of  
3 credits in the member's Defined Benefit Supplement account to  
4 be paid upon the death of the nonmember spouse.

5 *SEC. 10. Section 22657 of the Education Code is amended to*  
6 *read:*

7 22657. (a) The following provisions shall apply to a  
8 nonmember spouse as if he or she were a member under this part:  
9 Sections 22107, 22306, 22906, and 23802, subdivisions (a) and  
10 (b) of Section 24600, and Sections 24601, 24602, 24603, 24605,  
11 24606, 24607, 24608, 24611, 24612, 24613, 24616, 24617,  
12 25009, 25010, 25011, 25011.1, 25013, 25020, 25021, and 25022.

13 (b) Notwithstanding subdivision (a), this section shall not be  
14 construed to establish any right for the nonmember spouse under  
15 this part that is not explicitly established in Sections 22650 to  
16 22655, inclusive, and Sections 22658 to 22665, inclusive.

17 *SEC. 11. Section 22660 of the Education Code is amended to*  
18 *read:*

19 22660. (a) The nonmember spouse who is awarded a  
20 separate account under this part shall have the right to designate,  
21 pursuant to Sections 23300 to 23304, inclusive, a beneficiary or  
22 beneficiaries to receive the accumulated retirement contributions  
23 under the Defined Benefit Program and to designate a payee to  
24 receive the accumulated Defined Benefit Supplement account  
25 balance under the Defined Benefit Supplement Program  
26 remaining in the separate account of the nonmember spouse on  
27 his or her date of death, and any accrued allowance or accrued  
28 benefit under the Defined Benefit Supplement Program that is  
29 attributable to the separate account of the nonmember spouse and  
30 that is unpaid on the date of the death of the nonmember spouse.

31 (b) This section shall not be construed to provide the  
32 nonmember spouse with any right to elect to modify a retirement  
33 allowance under Section 24300 *or 24300.1*, or to elect a joint and  
34 survivor annuity under the Defined Benefit Supplement Program.

35 **SECTION 1.**

36 *SEC. 12. Section 22664 of the Education Code is amended to*  
37 *read:*

38 22664. The nonmember spouse who is awarded a separate  
39 account shall have the right to a service retirement allowance  
40 and, if applicable, a retirement benefit under this part.

1 (a) The nonmember spouse shall be eligible to retire for  
2 service under this part if the following conditions are satisfied:

3 (1) The member had at least five years of credited service  
4 during the period of marriage, at least one year of which had  
5 been performed subsequent to the most recent refund to the  
6 member of accumulated retirement contributions. The credited  
7 service may include service credited to the account of the  
8 member as of the date of the dissolution or legal separation,  
9 previously refunded service, out-of-state service, and permissive  
10 service credit that the member is eligible to purchase at the time  
11 of the dissolution or legal separation.

12 (2) The nonmember spouse has at least 2½ years of credited  
13 service in his or her separate account.

14 (3) The nonmember spouse has attained 55 years of age or  
15 more.

16 (b) A service retirement allowance of a nonmember spouse  
17 under this part shall become effective upon a date designated by  
18 the nonmember spouse, provided:

19 (1) The requirements of subdivision (a) are satisfied.

20 (2) The nonmember spouse has filed an application for service  
21 retirement on a *properly executed* form provided by the system,  
22 that is executed no earlier than six months before the effective  
23 date of the retirement allowance.

24 (3) The effective date is no earlier than the first day of the  
25 month that the application is received at the system's  
26 headquarters office as described in Section 22375, and the  
27 effective date is after the date the judgment or court order  
28 pursuant to Section 22652 was entered.

29 (c) (1) Upon service retirement at normal retirement age  
30 under this part, the nonmember spouse shall receive a retirement  
31 allowance that shall consist of an annual allowance payable in  
32 monthly installments equal to 2 percent of final compensation for  
33 each year of credited service.

34 (2) If the nonmember spouse's retirement is effective at less  
35 than normal retirement age and between early retirement age  
36 under this part and normal retirement age, the retirement  
37 allowance shall be reduced by one-half of 1 percent for each full  
38 month, or fraction of a month, that will elapse until the  
39 nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60 $\frac{1}{4}$ .....	2.033
60 $\frac{1}{2}$ .....	2.067
60 $\frac{3}{4}$ .....	2.10
61 .....	2.133
61 $\frac{1}{4}$ .....	2.167
61 $\frac{1}{2}$ .....	2.20
61 $\frac{3}{4}$ .....	2.233
62 .....	2.267
62 $\frac{1}{4}$ .....	2.30
62 $\frac{1}{2}$ .....	2.333
62 $\frac{3}{4}$ .....	2.367
63 and over .....	2.40

(4) In computing the retirement allowance of the nonmember spouse, the age of the nonmember spouse on the last day of the month that the retirement allowance begins to accrue shall be used.

(5) Final compensation, for purposes of calculating the service retirement allowance of the nonmember spouse under this subdivision, shall be calculated according to the definition of final compensation in Section 22134, 22134.5, 22135, or 22136, whichever is applicable, and shall be based on the member's compensation earnable up to the date the parties separated, as established in the judgment or court order pursuant to Section 22652. The nonmember spouse shall not be entitled to use any other calculation of final compensation.

(d) Upon service retirement under this part, the nonmember spouse shall receive a retirement benefit based on an amount equal to the balance of credits in the nonmember spouse's Defined Benefit Supplement account on the date the retirement benefit becomes payable.

(1) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of

1 both a lump-sum payment and an annuity, as elected by the  
2 nonmember spouse on the application for a retirement benefit. A  
3 retirement benefit paid as an annuity under this chapter shall be  
4 subject to Sections ~~22660 and 25011~~, *25011, and 25011.1*.

5 (2) Upon distribution of the entire retirement benefit in a  
6 lump-sum payment, no other benefit shall be payable to the  
7 nonmember spouse or the nonmember spouse's beneficiary under  
8 the Defined Benefit Supplement Program.

9 (e) If the member is or was receiving a disability allowance  
10 under this part with an effective date before or on the date the  
11 parties separated as established in the judgment or court order  
12 pursuant to Section 22652, or at any time applies for and receives  
13 a disability allowance with an effective date that is before or  
14 coincides with the date the parties separated as established in the  
15 judgment or court order pursuant to Section 22652, the  
16 nonmember spouse shall not be eligible to retire until after the  
17 disability allowance of the member terminates. If the member  
18 who is or was receiving a disability allowance returns to  
19 employment to perform creditable service subject to coverage  
20 under the Defined Benefit Program or has his or her allowance  
21 terminated under Section 24015, the nonmember spouse may not  
22 be paid a retirement allowance until at least six months after  
23 termination of the disability allowance and the return of the  
24 member to employment to perform creditable service subject to  
25 coverage under the Defined Benefit Program, or the termination  
26 of the disability allowance and the employment or  
27 self-employment of the member in any capacity, notwithstanding  
28 Section 22132. If at the end of the six-month period, the member  
29 has not had a recurrence of the original disability or has not had  
30 his or her earnings fall below the amounts described in Section  
31 24015, the nonmember spouse may be paid a retirement  
32 allowance if all other eligibility requirements are met.

33 (1) The retirement allowance of the nonmember spouse under  
34 this subdivision shall be calculated as follows: the disability  
35 allowance the member was receiving, exclusive of the portion for  
36 dependent children, shall be divided between the share of the  
37 member and the share of the nonmember spouse. The share of  
38 the nonmember spouse shall be the amount obtained by  
39 multiplying the disability allowance, exclusive of the portion for  
40 dependent children, by the years of service credited to the

1 separate account of the nonmember spouse, including service  
2 projected to the date of separation, and dividing by the projected  
3 service of the member. The nonmember spouse's retirement  
4 allowance shall be the lesser of the share of the nonmember  
5 spouse under this subdivision or the retirement allowance under  
6 subdivision (c).

7 (2) The share of the member shall be the total disability  
8 allowance reduced by the share of the nonmember spouse. The  
9 share of the member shall be considered the disability allowance  
10 of the member for purposes of Section 24213.

11 (f) The nonmember spouse who receives a retirement  
12 allowance is not a retired member under this part. However, the  
13 allowance of the nonmember spouse shall be increased by  
14 application of the improvement factor and shall be eligible for  
15 the application of supplemental increases and other benefit  
16 maintenance provisions under this part, including, but not limited  
17 to, Sections 24411, 24412, and 24415 based on the same criteria  
18 used for the application of these benefit maintenance increases to  
19 the service retirement allowances of members.

20 *SEC. 13. Section 22703 of the Education Code is amended to*  
21 *read:*

22 22703. (a) Service shall be credited to the Defined Benefit  
23 Program, except as provided in subdivision (b).

24 (b) A member's creditable service that exceeds 1.000 in a  
25 school year shall not be credited to the Defined Benefit Program.  
26 Commencing July 1, 2002, contributions by the employer *and the*  
27 *member* that are deposited in the Teachers' Retirement Fund ~~and~~  
28 ~~the member on~~ for creditable compensation paid to the member  
29 for ~~that~~ service *that exceeds 1.000 in a school year*, exclusive of  
30 contributions pursuant to Section 22951, shall be credited to the  
31 Defined Benefit Supplement Program.

32 (c) In lieu of any other benefits provided by this part, any  
33 member who performed service prior to July 1, 1956, shall  
34 receive retirement benefits for that service at least equal to the  
35 benefits that the member would have received for that service  
36 under the provisions of this part as they existed on June 30, 1956.  
37 This subdivision shall not apply to service that is credited in the  
38 San Francisco Employees' Retirement System.

39 (d) The amendments to this section made during the second  
40 year of the 1999–2000 Regular Session shall become operative



1 on July 1, 2002, if the revenue limit cost-of-living adjustment  
2 computed by the Superintendent of Public Instruction for the  
3 2001–02 fiscal year is equal to or greater than 3.5 percent.  
4 Otherwise the amendments to this section made during the  
5 second year of the 1999–2000 Regular Session shall become  
6 operative on July 1, 2003.

7 *SEC. 14. Section 22801 of the Education Code is amended to*  
8 *read:*

9 22801. (a) A member who elects to receive additional service  
10 credit as provided in this chapter shall pay, prior to retirement, all  
11 contributions with respect to that service at the contribution rate  
12 for additional service credit, adopted by the board as a plan  
13 amendment, in effect at the time of election. If the system is  
14 unable to inform the member or beneficiary of the amount  
15 required to purchase additional service credit prior to the  
16 effective date of the applicable allowance, the member or  
17 beneficiary may make the required payment within 30 working  
18 days after the date of mailing of the statement of contributions  
19 and interest required or the effective date of the appropriate  
20 allowance, whichever is later. The payment shall be paid in full  
21 before a member or beneficiary receives any adjustment in the  
22 appropriate allowance due because of that payment.  
23 Contributions shall be made in a lump sum, or in not more than  
24 120 monthly installments, not to exceed ten years. No  
25 installment, except the final installment, shall be less than  
26 twenty-five dollars (\$25).

27 (b) If the member is employed to perform creditable service  
28 subject to coverage by the Defined Benefit Program at the time  
29 of the election, the contributions shall be based upon the  
30 compensation earnable in the current school year or either of the  
31 two immediately preceding school years, whichever is highest.

32 (c) If the member is not employed to perform creditable  
33 service subject to coverage by the Defined Benefit Program at  
34 the time of the election, the contributions shall be based upon the  
35 compensation earnable in the last school year of credited service  
36 or either of the two immediately preceding school years,  
37 whichever is highest.

38 (d) The employer may pay the amount required as employer  
39 contributions for additional service credited under paragraphs  
40 (2), (6), (7), (8), and (9) of subdivision (a) of Section 22803.

1 (e) The Public Employees' Retirement System shall transfer  
2 the actuarial present value of the assets of a person who makes an  
3 election pursuant to paragraph (10) of subdivision (a) of Section  
4 22803.

5 (f) Regular interest shall be charged on all contributions from  
6 the end of the school year on which the contributions were based  
7 to the date of payment.

8 (g) Regular interest shall be charged on the monthly unpaid  
9 balance if the member pays in installments. Regular interest may  
10 not be charged or be payable for the period of a delay caused by  
11 the system's inability or failure to determine and inform the  
12 member or beneficiary of the amount of contributions and  
13 interest that is payable. The period of delay shall commence on  
14 the 20th day following the day on which the member or  
15 beneficiary who wishes to make payment evidences in writing to  
16 the system that he or she is ready, willing, and able to make  
17 payment to the system. The period of delay shall cease on the  
18 first day of the month following the mailing of notification of  
19 contributions and interest payable.

20 (h) *If the payment described in subdivision (a) is not received*  
21 *at the system's headquarters office, as described in Section*  
22 *22375, within 120 days of the due date, the election pursuant to*  
23 *this section shall be canceled. The member shall receive credit*  
24 *for additional service based on the payments that were made or*  
25 *the member may request a return of his or her payments.*

26 (i) *If the election to purchase additional service credit is*  
27 *canceled as described in subdivision (h), the member may, prior*  
28 *to the effective date of his or her retirement, elect to purchase*  
29 *additional service credit pursuant to this section.*

30 SEC. 15. *Section 22823 of the Education Code is amended to*  
31 *read:*

32 22823. (a) A member who elects to receive credit for  
33 out-of-state service as provided in this chapter shall pay, prior to  
34 retirement, all contributions with respect to that service at the  
35 contribution rate for additional service credit adopted by the  
36 board as a plan amendment, in effect at the time of election.

37 (b) (1) Any payment that a member may make to the system  
38 to obtain credit for out-of-state service pursuant to this chapter  
39 shall be paid in full prior to the effective date of a family,  
40 survivor, disability, or retirement allowance.

1 (2) If the system is unable to inform the member or  
2 beneficiary of the amount required to purchase out-of-state  
3 service prior to the effective date of the applicable allowance, the  
4 member or beneficiary may make payment in full within 30  
5 working days after the date of mailing of the statement of  
6 contributions and interest required or the effective date of the  
7 appropriate allowance, whichever is later. The payment shall be  
8 paid in full before a member or beneficiary may receive any  
9 adjustment in the appropriate allowance due because of that  
10 payment.

11 (c) Contributions for out-of-state service credit shall be made  
12 in a lump sum, or in not more than 120 monthly installments, not  
13 to exceed ten years. No installment, except the final installment,  
14 shall be less than twenty-five dollars (\$25).

15 (d) Regular interest shall be charged on the monthly unpaid  
16 balance if the member makes installment payments.

17 (e) *If the payment described in subdivision (a) is not received*  
18 *at the system's headquarters office, as described in Section*  
19 *22375, within 120 days of the due date, the election pursuant to*  
20 *this section shall be canceled. The member shall receive credit*  
21 *for out-of-state service based on the payments that were made or*  
22 *the member may request a return of his or her payments.*

23 (f) *If the election to purchase out-of-state service is canceled*  
24 *as described in subdivision (e), the member may, prior to the*  
25 *effective date of his or her retirement, elect to purchase*  
26 *out-of-state service pursuant to this section.*

27 SEC. 16. *Section 22826 of the Education Code is amended to*  
28 *read:*

29 22826. (a) A member may elect to receive up to five years of  
30 credit for nonqualified service provided the member is vested in  
31 the Defined Benefit Program as provided in Section 22156.

32 (b) A member who elects to receive credit for nonqualified  
33 service as provided in this chapter shall contribute to the  
34 retirement fund the actuarial cost of the service, including  
35 interest as appropriate, as determined by the board based on the  
36 most recent valuation of the plan with respect to the Defined  
37 Benefit Program.

38 (1) Payment that a member may make to the system to obtain  
39 credit for nonqualified service shall be paid in full prior to the

1 effective date of a family, survivor, disability, or retirement  
2 allowance.

3 (2) If the system is unable to inform the member of the amount  
4 required to purchase nonqualified service prior to the effective  
5 date of the applicable allowance, the member may make payment  
6 in full within 30 working days after the date of mailing of the  
7 statement of contributions and interest required or the effective  
8 date of the appropriate allowance, whichever is later.

9 (c) Contributions for nonqualified service credit shall be made  
10 in a lump sum or in not more than 120 monthly installments, not  
11 to exceed ten years. No installment, except the final installment,  
12 shall be less than twenty-five dollars (\$25).

13 (d) Regular interest shall be charged on the monthly unpaid  
14 balance if the member makes installment payments.

15 (e) *If the payment described in subdivision (a) is not received*  
16 *at the system's headquarters office, as described in Section*  
17 *22375, within 120 days of the due date, the election pursuant to*  
18 *this section shall be canceled. The member shall receive credit*  
19 *for nonqualified service based on the payments that were made*  
20 *or the member may request a return of his or her payments.*

21 (f) *If the election to purchase nonqualified service is canceled*  
22 *as described in subdivision (e), the member may, prior to the*  
23 *effective date of his or her retirement, elect to purchase*  
24 *nonqualified service pursuant to this section.*

25 SEC. 17. Section 23004 of the Education Code is amended to  
26 read:

27 23004. The county superintendent of schools or employing  
28 agency shall, or a school district or community college district  
29 may, with approval of the board, submit a report monthly to the  
30 system containing ~~such~~ information as the board may require in  
31 the administration of the plan. *That monthly report shall be*  
32 *submitted electronically in an encrypted format provided by the*  
33 *system that ensures the security of the transmitted member data.*

34 SEC. 18. Section 23300 of the Education Code is amended to  
35 read:

36 23300. (a) A member of the Defined Benefit Program may  
37 designate a beneficiary to receive benefits payable under this part  
38 upon the member's death. A beneficiary designation may not be  
39 made in derogation of a community property interest of a  
40 nonmember spouse, as defined by Section 25000.9, with respect

1 to service or contributions credited under this part, unless the  
2 nonmember spouse has previously obtained an alternative order  
3 pursuant to Section 2610 of the Family Code.

4 (b) A member's beneficiary designation for benefits payable  
5 under the Defined Benefit Program, including a designation  
6 made pursuant to Section 24300 *or* 24300.1, shall also apply to  
7 benefits payable under the Defined Benefit Supplement Program.  
8 A beneficiary designation shall be in writing on a form  
9 prescribed by the system and executed by the member.

10 (c) A beneficiary designation shall not be valid unless it is  
11 received in the system's headquarters office, as established  
12 pursuant to Section 22375, prior to the member's death.

13 (d) A member may change or revoke a beneficiary designation  
14 at any time by making a new designation pursuant to this section.

15 (e) This section is not applicable to the designation of an  
16 option beneficiary or an annuity beneficiary under this part.

17 (f) An option beneficiary may designate a death beneficiary  
18 who would, upon the death of the option beneficiary, be entitled  
19 to receive the option beneficiary's accrued monthly allowance.

20 *SEC. 19. Section 23805 of the Education Code is amended to*  
21 *read:*

22 23805. A family allowance is payable in the amount and to  
23 the specified persons in the following order of priority:

24 (a) To the deceased member's surviving spouse who has  
25 financial responsibility for at least one dependent child, an  
26 amount equal to 40 percent of the member's final compensation  
27 or the disabled member's projected final compensation plus 10  
28 percent of the member's final compensation or the disabled  
29 member's projected final compensation for each child, up to a  
30 maximum allowance of 90 percent.

31 (b) If there is no surviving spouse or upon the death of the  
32 surviving spouse, to each dependent child, an amount equal to 10  
33 percent of the deceased member's final compensation or the  
34 disabled member's projected final compensation, up to a  
35 maximum allowance of 50 percent. If there are more than five  
36 dependent children, they shall share equally in the maximum  
37 allowance of 50 percent.

38 (c) To the surviving spouse at ~~age~~ 60 years *of age* or over if  
39 there is no dependent child, ~~an~~ a *monthly* allowance equal to the  
40 amount that would have been payable to the spouse as

1 beneficiary under Option 3 ~~as provided in~~ pursuant to Section  
2 24300; *that provides an allowance equal to one-half of the*  
3 *modified retirement allowance the member would have received*  
4 *at 60 years of age*, computed on the member's projected final  
5 compensation and projected service to normal retirement age.  
6 The allowance payable under this subdivision shall be increased  
7 by application of the benefit improvement factor for time that  
8 elapses between the date the member would have attained normal  
9 retirement age and the date the family allowance under this  
10 subdivision begins to accrue. The allowance calculation shall  
11 include service credit for the unused sick leave that had accrued  
12 to the member as of the date of his or her death. Eligibility for the  
13 inclusion of service credit for unused sick leave credit and the  
14 calculation of that service credit shall be determined pursuant to  
15 Section 22717.

16 (d) If there is ~~neither~~ no surviving spouse ~~nor~~ or dependent  
17 child, to the dependent parent, ~~age 60 years of age or over, an a~~  
18 *monthly allowance equal to the amount that would have been*  
19 *payable to the dependent parent as beneficiary under Option 3 as*  
20 *provided in pursuant to Section 24300 that provides an*  
21 *allowance equal to one-half of the modified retirement allowance*  
22 *the member would have received at 60 years of age*, computed on  
23 the member's projected final compensation and projected service  
24 to normal retirement age. The allowance calculation shall include  
25 service credit for the unused sick leave that had accrued to the  
26 member as of the date of his or her death. Eligibility for the  
27 inclusion of service credit for unused sick leave and the  
28 calculation of that service credit shall be determined pursuant to  
29 Section 22717. If there are two dependent parents, only one  
30 family allowance shall be payable under this subdivision and that  
31 allowance shall be computed on the assumption that the younger  
32 parent is the option beneficiary and the allowance shall be  
33 divided equally for as long as there are two dependent parents.  
34 Thereafter, the full allowance shall be payable to the surviving  
35 dependent parent.

36 (e) The surviving spouse or dependent parent may elect to  
37 begin receiving the family allowance payable under subdivision  
38 (c) or (d) immediately upon the later of the death of the member  
39 or when there is no dependent child, or to defer receipt of the  
40 allowance to the date the surviving spouse or dependent parent

1 attains ~~age~~ 60 years *of age*. If allowance payments commence  
2 prior to the date the surviving spouse or dependent parent attains  
3 ~~age~~ 60 years *of age*, the allowance payable shall be actuarially  
4 reduced.

5 (f) If there is no dependent child, a surviving spouse or  
6 dependent parent or parents may elect, prior to receipt of the first  
7 payment under subdivision (c) or (d), to receive the member's  
8 accumulated retirement contributions in a lump sum subject to a  
9 reduction for any disability allowance or family allowance  
10 payments previously made.

11 *SEC. 20. Section 23855 of the Education Code is amended to*  
12 *read:*

13 23855. (a) The survivor benefit allowance is a monthly  
14 allowance equal to one-half of the modified retirement allowance  
15 the member would have received at ~~age~~ 60 years *of age*, if the  
16 member had retired and elected Option 3 ~~as provided in pursuant~~  
17 *to Section 24300 that provides an allowance equal to one-half of*  
18 *the modified allowance the member would have received at 60*  
19 *years of age*, naming the spouse as the option beneficiary.

20 (b) The allowance payable under this subdivision shall be  
21 based on the member's actual service credit and final  
22 compensation as of the date of his or her death, the ~~age~~ 60  
23 retirement factor *at 60 years of age*, and the member's and  
24 spouse's ages as of the date the member would have attained ~~age~~  
25 60 years *of age*. If the member's death occurs after he or she  
26 attains ~~age~~ 60 years *of age*, his or her actual final compensation,  
27 the ~~age~~ 60 retirement factor *at 60 years of age*, and the member's  
28 and spouse's ages as of the date of the member's death shall be  
29 used in the allowance calculation.

30 (c) The allowance calculation shall include service credit for  
31 the unused sick leave that had accrued to the member as of the  
32 date of his or her death. Eligibility for the inclusion of unused  
33 sick leave service credit and the calculation of that service credit  
34 shall be determined pursuant to Section 22717.

35 (d) The surviving spouse may elect to begin receiving the  
36 survivor benefit allowance immediately as of the date of the  
37 member's death or to defer receipt of the allowance to the date  
38 the member would have attained ~~age~~ 60 years *of age*. If  
39 allowance payments to the surviving spouse commence prior to

1 the date the member would have attained ~~age~~ 60 years *of age*, the  
2 allowance payable shall be actuarially reduced.

3 (e) If the spouse elects, pursuant to Section 23852, to receive  
4 the survivor benefit allowance, an additional 10 percent of final  
5 compensation shall be payable for each dependent child who is  
6 ~~not older than age~~ *under 21 years of age*, up to a maximum of 50  
7 percent of final compensation. The child's portion shall begin to  
8 accrue on the day following the member's date of death and shall  
9 be payable even if the spouse elects to postpone receipt of the  
10 spouse's survivor benefit allowance until the date the member  
11 would have attained ~~age~~ 60 years *of age*.

12 SEC. 21. *Section 24201 of the Education Code is amended to*  
13 *read:*

14 24201. (a) A member may retire for service under this part  
15 upon written application for retirement to the board *on a properly*  
16 *executed form provided by the system*, under paragraph (1) or (2)  
17 as follows:

18 (1) The member has attained ~~the age of~~ 55 years *of age* or  
19 more and has at least five years of credited service, at least one  
20 year of which has been performed subsequent to the most recent  
21 refund of accumulated retirement contributions. The five years of  
22 credited service may include out-of-state service purchased  
23 pursuant to Section 22820. The number of years of credited  
24 service performed in California shall not be less than the number  
25 of years necessary to determine final compensation pursuant to  
26 Section 22134 or 22135, whichever is applicable to the member.

27 (2) The member is credited with service that is not used as a  
28 basis for benefits under any other public retirement system,  
29 excluding the federal social security system, if the member has  
30 attained ~~the age of~~ 55 years *of age* or older and retires  
31 concurrently under one or more of the retirement systems with  
32 which the member has concurrent membership as defined in  
33 Section 22115.2.

34 (b) Application for retirement under paragraph (2) of  
35 subdivision (a) may be made even if the member has not earned  
36 five years of credited service.

37 SEC. 22. *Section 24202.5 of the Education Code is amended*  
38 *to read:*



24202.5. (a) A member who retires for service on or after January 1, 1999, shall receive a retirement allowance consisting of all of the following:

(1) An annual allowance payable in monthly installments, upon retirement equal to the percentage of the final compensation set forth opposite the member's age at retirement in the following table multiplied by each year of credited service:

Age at Retirement	Percentage
60.....	2.00
60 $\frac{1}{4}$ .....	2.033
60 $\frac{1}{2}$ .....	2.067
60 $\frac{3}{4}$ .....	2.10
61 .....	2.133
61 $\frac{1}{4}$ .....	2.167
61 $\frac{1}{2}$ .....	2.20
61 $\frac{3}{4}$ .....	2.233
62 .....	2.267
62 $\frac{1}{4}$ .....	2.30
62 $\frac{1}{2}$ .....	2.333
62 $\frac{3}{4}$ .....	2.367
63 and over .....	2.40

If the member's retirement is effective at less than normal retirement age and between early retirement age and normal retirement age, the member's allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month that will elapse until the member will attain normal retirement age.

(2) An annuity that shall be the actuarial equivalent of the member's accumulated annuity deposit contributions at the time of retirement.

(3) An annuity based on the balance of credits in the member's Defined Benefit Supplement account, pursuant to Section 25012, if elected by the member pursuant to Section 25011 *or 25011.1*.

(b) In computing the amounts described in paragraph (1) of subdivision (a), the age of the member on the last day of the month in which the retirement allowance begins to accrue or the later date as ~~provided~~ *described* in Section 24204 shall be used.

SEC. 23. *Section 24203.6 of the Education Code is amended to read:*

24203.6. (a) In addition to the amount otherwise payable pursuant to Sections 24202.5, 24203, 24203.5, 24205, 24209, 24209.3, 24210, 24211, and 24212, a member shall receive an increase in the monthly allowance, prior to any modification pursuant to Sections 24300, 24300.1, and 24309, in the amount identified in subdivision (b), if the member meets all of the following criteria:

(1) The member retires for service on or after January 1, 2001.

(2) Prior to January 1, 2011, the member has 30 or more years of credited service, including any credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652, but excluding service credited pursuant to the following:

(A) Section 22714.

(B) Section 22714.5.

(C) Section 22715.

(D) Section 22717, except as provided in subdivision (b) of Section 22121.

(E) Section 22717.5.

(F) Section 22826.

(3) The member is receiving an allowance subject to Section 24203.5.

(b) The amount of the increase in the monthly allowance shall be based on the member's years of credited service at the time of retirement as follows:

30 years of credited service.....	\$200
31 years of credited service.....	\$300
32 or more years of credited service.....	\$400

(c) This section also applies to a nonmember spouse, if all of the following conditions are satisfied:

(1) The member is eligible for the allowance increase pursuant to subdivisions (a) and (b) upon his or her retirement for service.

(2) On the date the parties separated, as established in the judgment or court order pursuant to Section 22652, the member had at least 30 years of credited service, excluding service credited pursuant to the following:

(A) Section 22714.

1 (B) Section 22714.5.

2 (C) Section 22715.

3 (D) Section 22717, except as provided in subdivision (b) of  
4 Section 22121.

5 (E) Section 22717.5.

6 (F) Section 22826.

7 (3) The service credit of the member was divided into separate  
8 accounts in the name of the member and the nonmember spouse  
9 by a court pursuant to Section 22652. The amount identified in  
10 the schedule in subdivision (b) and payable pursuant to this  
11 section, that is based on the service credited during the marriage,  
12 shall be divided and paid to the member and the nonmember  
13 spouse proportionately according to the respective percentages of  
14 the member's service credit that were allocated to the member  
15 and the nonmember spouse in the court's order.

16 (d) The allowance increase provided under this section is not  
17 subject to Sections 24415 and 24417, but is subject to Section  
18 22140.

19 *SEC. 24. Section 24205 of the Education Code is amended to*  
20 *read:*

21 24205. Any member retiring prior to ~~the age of 60 years of~~  
22 ~~age, and who has attained the age of 55 years of age,~~ may elect to  
23 receive one-half of the service retirement allowance for normal  
24 retirement age for a limited time and then revert to the full  
25 retirement allowance for normal retirement age.

26 (a) The retirement allowance shall be based on service credit  
27 and final compensation as of the date of retirement for service  
28 and shall be calculated with the factor for normal retirement age.

29 (b) If the member elects a joint and survivor option under  
30 Section 24300 *or 24300.1*, the actuarial reduction shall be based  
31 on the member's and beneficiary's ages as of the effective date of  
32 the early retirement. If the member elected a preretirement option  
33 under Section 24307, the actuarial reduction shall be based on the  
34 member's and beneficiary's ages as determined by provisions of  
35 that section.

36 (c) One-half of the retirement allowance as of ~~the age of 60~~  
37 ~~years of age~~ shall be paid for a period of time equal to twice the  
38 elapsed time between the effective date of retirement and the date  
39 of the retired member's 60th birthday.

(d) The full retirement allowance as calculated under subdivision (a) or (b) shall begin to accrue as of the first of the month following the reduction period as specified in subdivision (c). The full retirement allowance shall not begin to accrue prior to this time under any circumstances, including, but not limited to, divorce or death of the named beneficiary.

(e) The annual improvement factor provided for in Sections 22140 and 22141 shall be based upon the retirement allowance as calculated under subdivision (a) or (b). The improvement factor shall begin to accrue on September 1 following the retired member's 60th birthday. These increases shall be accumulated and shall become payable when the full retirement allowance for normal retirement age first becomes payable.

(f) Any ad hoc benefit increase with an effective date prior to the retired member's 60th birthday shall not affect any allowance payable under this section. Only those ad hoc improvements with effective dates on or after the retired member's 60th birthday shall be accrued and accumulated and shall first become payable when the full retirement allowance for normal retirement age becomes payable.

(g) The cancellation of an option election in accordance with Section 24305 shall not cancel the election under this section. Upon cancellation of the joint and survivor option, one-half of the retired member's retirement allowance as calculated under subdivision (a) shall become payable for the balance of the reduction period specified in subdivision (c).

(h) If a retired member who has elected a joint and survivor option dies during the period when the reduced allowance is payable, the beneficiary shall receive one-half of the allowance payable to the beneficiary until the date when the retired member would have received the full retirement allowance for normal retirement age. At that time, the beneficiary's allowance shall be increased to the full amount payable to the beneficiary plus the appropriate annual improvement factor increases and ad hoc increases.

*SEC. 25. Section 24209 of the Education Code is amended to read:*

24209. (a) Upon retirement for service following reinstatement, the member shall receive a service retirement allowance equal to the sum of both of the following:

1 (1) An amount equal to the monthly allowance the member  
2 was receiving immediately preceding reinstatement, exclusive of  
3 any amounts payable pursuant to Section 22714, 22714.5, or  
4 22715, increased by the improvement factor that would have  
5 been applied to the allowance if the member had not reinstated.

6 (2) An amount calculated pursuant to Section 24202, 24202.5,  
7 24203, 24203.5, or 24206 on service credited subsequent to the  
8 most recent reinstatement, the member's age at retirement, and  
9 final compensation.

10 (b) If the total amount of credited service, other than that  
11 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,  
12 22717.5, and 22826, is equal to or greater than 30 years, the  
13 amounts identified in paragraphs (1), for members who initially  
14 retired on or after January 1, 1999, and (2) of subdivision (a)  
15 shall be calculated pursuant to Section 24203.5.

16 (c) If the total amount of credited service, other than that  
17 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,  
18 22717.5, and 22826, is equal to or greater than 30 years, upon  
19 retirement for service following reinstatement, a member who  
20 retired pursuant to Section 24213, and received the terminated  
21 disability allowance for the prior retirement, shall receive a  
22 service retirement allowance equal to the sum of the following:

23 (1) An amount based on the service credit accrued prior to the  
24 effective date of the disability allowance, the member's age at the  
25 prior retirement increased by the factor provided in Section  
26 24203.5, and projected final compensation.

27 (2) An amount calculated pursuant to Section 24202, 24202.5,  
28 24203.5, or 24206 on service credited subsequent to the  
29 reinstatement, the member's age at retirement, and final  
30 compensation.

31 *(d) For purposes of this section, final compensation shall not*  
32 *be based on a determination of compensation earnable as*  
33 *described in subdivision (e) of Section 22115.*

34 *SEC. 26. Section 24209.3 of the Education Code is amended*  
35 *to read:*

36 24209.3. (a) Notwithstanding subdivision (a) of Section  
37 24209 and subdivision (d) of Section 24204, and exclusive of any  
38 amounts payable during the prior retirement for service pursuant  
39 to Section 22714, 22714.5, or 22715:

(1) A member who retired, other than pursuant to Section 24210, 24211, 24212, or 24213, and who reinstates and performs creditable service, as defined in Section 22119.5, after the most recent reinstatement, in an amount equal to two or more years of credited service, shall, upon retirement for service on or after the effective date of this section, receive a service retirement allowance equal to the sum of the following:

(A) An amount calculated pursuant to this chapter based on credited service performed prior to the most recent reinstatement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and final compensation.

(B) An amount calculated pursuant to this chapter based on credited service performed subsequent to the most recent reinstatement, using the member's age at the subsequent service retirement, and final compensation.

(2) A member who retired pursuant to Section 24210 and who reinstates and performs creditable service, as defined in Section 22119.5, after the most recent reinstatement, in an amount equal to two or more years of credited service, shall, upon retirement for service on or after the effective date of this section, receive a service retirement allowance equal to the sum of the following:

(A) An amount calculated pursuant to this chapter based on service credit accrued prior to the effective date of the disability retirement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and indexed final compensation to the effective date of the initial service retirement.

(B) An amount calculated pursuant to this chapter based on the service credit accrued after termination of the disability retirement, using the member's age at the subsequent service retirement, from which age shall be deducted the total time during which the member was retired for service, and final compensation.

(C) An amount calculated pursuant to this chapter based on credited service performed subsequent to the most recent reinstatement, using the member's age at the subsequent service retirement, and final compensation.

1 (3) A member who retired pursuant to Section 24211 and who  
2 reinstates and performs creditable service, as defined in Section  
3 22119.5, after the most recent reinstatement, in an amount equal  
4 to two or more years of credited service, shall, upon retirement  
5 for service on or after the effective date of this section, receive a  
6 service retirement allowance equal to the sum of the following:

7 (A) The greater of (i) the disability allowance the member was  
8 receiving immediately prior to termination of that allowance,  
9 excluding the children's portion, or (ii) an amount calculated  
10 pursuant to this chapter based on service credit accrued prior to  
11 the effective date of the disability allowance, using the member's  
12 age at the subsequent service retirement, from which age shall be  
13 deducted the total time during which the member was retired for  
14 service, and final compensation using compensation earnable or  
15 projected final compensation or a combination of both.

16 (B) An amount equal to either of the following:

17 (i) For a member who was receiving a benefit pursuant to  
18 subdivision (a) of Section 24211, the member's credited service  
19 at the time of the retirement pursuant to Section 24211, excluding  
20 service credited pursuant to Section 22717 or 22717.5 or Chapter  
21 14 (commencing with Section 22800) or Chapter 14.2  
22 (commencing with Section 22820) or Chapter 19 (commencing  
23 with Section 23200).

24 (ii) For a member who was receiving a benefit pursuant to  
25 subdivision (b) of Section 24211, the member's projected  
26 service, excluding service credited pursuant to Section 22717 or  
27 22717.5 or Chapter 14 (commencing with Section 22800) or  
28 Chapter 14.2 (commencing with Section 22820) or Chapter 19  
29 (commencing with Section 23200).

30 (C) An amount calculated pursuant to this chapter based on  
31 credited service performed subsequent to the most recent  
32 reinstatement, using the member's age at the subsequent service  
33 retirement, and final compensation using compensation earnable  
34 or projected final compensation or a combination of both.

35 (D) An amount based on any service credited pursuant to  
36 Chapter 14 (commencing with Section 22800) or Chapter 14.2  
37 (commencing with Section 22820) or Chapter 19 (commencing  
38 with Section 23200) or, for credited service performed during the  
39 most recent reinstatement, Section 22714, 22714.5, 22715,  
40 22717, or 22717.5, using the member's age at the subsequent

1 service retirement, from which age shall be deducted the total  
2 time during which the member was retired for service, and final  
3 compensation using compensation earnable, or projected final  
4 compensation, or a combination of both.

5 (4) A member who retired pursuant to Section 24212 or 24213  
6 and who reinstates and performs creditable service, as defined in  
7 Section 22119.5, after the most recent reinstatement, in an  
8 amount equal to two or more years of credited service, shall,  
9 upon retirement for service on or after the effective date of this  
10 section, receive a service retirement allowance equal to the sum  
11 of the following:

12 (A) An amount calculated pursuant to this chapter based on  
13 the member's projected service credit, excluding service credited  
14 pursuant to Section 22717, 22717.5, or Chapter 14 (commencing  
15 with Section 22800) or Chapter 14.2 (commencing with Section  
16 22820) or Chapter 19 (commencing with Section 23200), using  
17 the member's age at the subsequent service retirement, from  
18 which age shall be deducted the total time during which the  
19 member was retired for service, and final compensation using  
20 compensation earnable or projected final compensation or a  
21 combination of both.

22 (B) An amount calculated pursuant to this chapter based on  
23 credited service performed subsequent to the most recent  
24 reinstatement, using the member's age at the subsequent service  
25 retirement, and final compensation, using compensation earnable  
26 or projected final compensation or a combination of both.

27 (C) An amount based on any service credited pursuant to  
28 Chapter 14 (commencing with Section 22800) or Chapter 14.2  
29 (commencing with Section 22820) or Chapter 19 (commencing  
30 with Section 23200) or, for credited service performed during the  
31 most recent reinstatement, Section 22714, 22714.5, 22715,  
32 22717, or 22717.5, using the member's age at the subsequent  
33 service retirement, from which age shall be deducted the total  
34 time during which the member was retired for service, and final  
35 compensation using compensation earnable, or projected final  
36 compensation, or a combination of both.

37 (b) If the total amount of credited service, other than that  
38 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,  
39 22717.5, and 22826, is equal to or greater than the number of  
40 years required to be eligible for an increased allowance pursuant



1 to this chapter or Section 22134.5, the amounts identified in this  
2 section shall be calculated pursuant to the section authorizing the  
3 increased benefit.

4 (c) For members receiving an allowance pursuant to Section  
5 24410.5 or 24410.6, the amount payable pursuant to this section  
6 shall not be less than the amount payable to the member as of the  
7 effective date of reinstatement.

8 (d) The amount payable pursuant to this section shall not be  
9 less than the amount that would be payable to the member  
10 pursuant to Section 24209.

11 (e) For purposes of determining an allowance increase  
12 pursuant to Sections 24415 and 24417, the calendar year of  
13 retirement shall be the year of the subsequent retirement if the  
14 final compensation used to calculate the allowance pursuant to  
15 this section is higher than the final compensation used to  
16 calculate the allowance for the prior retirement.

17 (f) The allowance paid pursuant to this section to a member  
18 receiving a lump-sum payment pursuant to Section 24221 shall  
19 be actuarially reduced to reflect that lump-sum payment.

20 (g) *For purposes of this section, final compensation shall not*  
21 *be based on a determination of compensation earnable as*  
22 *described in subdivision (e) of Section 22115.*

23 SEC. 27. *Section 24211 of the Education Code is amended to*  
24 *read:*

25 24211. When a member who has been granted a disability  
26 allowance under this part after June 30, 1972, returns to  
27 employment subject to coverage under the Defined Benefit  
28 Program and performs:

29 (a) Less than three years of creditable service after termination  
30 of the disability allowance, the member shall receive a retirement  
31 allowance which is the sum of the allowance calculated on  
32 service credit accrued after the termination date of the disability  
33 allowance, the age of the member on the last day of the month in  
34 which the retirement allowance begins to accrue, and final  
35 compensation using compensation earnable and projected final  
36 compensation, plus the greater of either of the following:

37 (1) A service retirement allowance calculated on service credit  
38 accrued as of the effective date of the disability allowance, the  
39 age of the member on the last day of the month in which the  
40 retirement allowance begins to accrue, and projected final

1 compensation excluding service credited pursuant to Sections  
2 22717 and 22717.5 or Chapter 14 (commencing with Section  
3 22800) or Chapter 14.2 (commencing with Section 22820) or  
4 Chapter 19 (commencing with Section 23200), to the termination  
5 date of the disability allowance.

6 (2) The disability allowance the member was receiving  
7 immediately prior to termination of that allowance, excluding  
8 children's portions.

9 (b) Three or more years of creditable service after termination  
10 of the disability allowance, the member shall receive a retirement  
11 allowance that is the greater of the following:

12 (1) A service retirement allowance calculated on all actual and  
13 projected service excluding service credited pursuant to Sections  
14 22717 and 22717.5 or Chapter 14 (commencing with Section  
15 22800) or Chapter 14.2 (commencing with Section 22820) or  
16 Chapter 19 (commencing with Section 23200), the age of the  
17 member on the last day of the month in which the retirement  
18 allowance begins to accrue, and final compensation using  
19 compensation earnable, or projected final compensation, or a  
20 combination of both.

21 (2) The disability allowance the member was receiving  
22 immediately prior to termination of that allowance, excluding  
23 children's portions.

24 (c) The allowance shall be increased by an amount based on  
25 any service credited pursuant to Sections 22714, 22714.5, 22715,  
26 22717, and 22717.5 or Chapter 14 (commencing with Section  
27 22800) or Chapter 14.2 (commencing with Section 22820) or  
28 Chapter 19 (commencing with Section 23200), and final  
29 compensation using compensation earnable, or projected final  
30 compensation, or a combination of both.

31 (d) If the total amount of credited service, other than projected  
32 service or service that accrued pursuant to Sections 22714,  
33 22714.5, 22715, 22717, 22717.5, and 22826, is equal to or  
34 greater than 30 years, the amounts identified in subdivisions (a)  
35 and (b) shall be calculated pursuant to Sections 24203.5 and  
36 24203.6.

37 (e) *For purposes of this section, final compensation shall not*  
38 *be based on a determination of compensation earnable as*  
39 *described in subdivision (e) of Section 22115.*

1     SEC. 28. *Section 24214 of the Education Code, as amended*  
2 *by Section 24 of Chapter 351 of the Statutes of 2005, is amended*  
3 *to read:*

4     24214. (a) A member retired for service under this part may  
5 perform the activities identified in paragraphs (1) to (9),  
6 inclusive, of subdivision (a), or subdivision (b), of Section  
7 22119.5 as an employee of an employer, as an employee of a  
8 third party, or as an independent contractor within the California  
9 public school system, but the member may not make  
10 contributions to the retirement fund or accrue service credit based  
11 on compensation earned from that service. *The employer shall*  
12 *maintain accurate records of the earnings of the retired member*  
13 *and report those earnings monthly to the system and retired*  
14 *member as described in Section 22461.*

15     (b) ~~The~~ *If a member is retired for service under this part, the*  
16 *rate of pay for service performed by a that member retired for*  
17 *service under this part as an employee of the employer, as an*  
18 *employee of a third party, or as an independent contractor, may*  
19 *not be less than the minimum, nor exceed that paid by the*  
20 *employer to other employees performing comparable duties.*

21     (c) A member retired for service under this part may not be  
22 required to reinstate for performing the activities identified in  
23 paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision  
24 (b), of Section 22119.5, as an employee of an employer, as an  
25 employee of a third party, or as an independent contractor within  
26 the California public school system.

27     (d) A member retired for service under this part may earn  
28 compensation for performing activities identified in paragraphs  
29 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of  
30 Section 22119.5 in any one school year up to the limitation  
31 specified in subdivision (f) as an employee of an employer, as an  
32 employee of a third party, or an independent contractor, within  
33 the California public school system, without a reduction in his or  
34 her retirement allowance.

35     (e) (1) The postretirement compensation limitation provisions  
36 set forth in this section are not applicable to compensation earned  
37 by a member retired for service under this part who has returned  
38 to work after the date of retirement and, for a period of at least 12  
39 consecutive months, has not performed the activities identified in  
40 paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision

1 (b), of Section 22119.5 as an employee of an employer, as an  
2 employee of a third party, or as an independent contractor within  
3 the California public school system. For the purpose of this  
4 paragraph, the period of 12 consecutive months begins from the  
5 effective date of the member's most recent retirement.

6 (2) The postretirement compensation limitation provisions set  
7 forth in this section are not applicable to compensation earned for  
8 the performance of the activities described in subdivision (a) for  
9 which the employer is not eligible to receive state apportionment  
10 or to compensation that is not creditable pursuant to Section  
11 22119.2.

12 (f) The limitation that shall apply to the compensation for  
13 performance of the activities identified in paragraphs (1) to (9),  
14 inclusive, of subdivision (a), or subdivision (b), of Section  
15 22119.5 by a member retired for service under this part either as  
16 an employee of an employer, an employee of a third party, or as  
17 an independent contractor, shall, in any one school year, be an  
18 amount calculated by the board each July 1 equal to twenty-two  
19 thousand dollars (\$22,000) adjusted by the percentage change in  
20 the average compensation earnable of active members of the  
21 Defined Benefit Program, as determined by the system, from the  
22 1998–99 fiscal year to the fiscal year ending in the previous  
23 calendar year.

24 (g) If a member retired for service under this part earns  
25 compensation for performing activities identified in paragraphs  
26 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of  
27 Section 22119.5 in excess of the limitation specified in  
28 subdivision (f), as an employee of an employer, as an employee  
29 of a third party, or as an independent contractor, within the  
30 California public school system, and if that compensation is not  
31 exempt from that limitation under subdivision (e) or any other  
32 provisions of law, the member's retirement allowance shall be  
33 reduced by the amount of the excess compensation. The amount  
34 of the reduction may be equal to the monthly allowance payable  
35 but shall not exceed the amount of the annual allowance payable  
36 under this part for the fiscal year in which the excess  
37 compensation was earned.

38 (h) The amendments to this section enacted during the  
39 1995–96 Regular Session shall be deemed to have become  
40 operative on July 1, 1996.

1 (i) This section shall be repealed on January 1, 2008, unless  
2 later enacted legislation extends or deletes that date.

3 *SEC. 29. Section 24214 of the Education Code, as amended*  
4 *by Section 23 of Chapter 912 of the Statutes of 2004, is amended*  
5 *to read:*

6 24214. (a) A member retired for service under this part may  
7 perform the activities identified in paragraphs (1) to (9),  
8 inclusive, of subdivision (a), or subdivision (b), of Section  
9 22119.5 as an employee of an employer, as an employee of a  
10 third party, or as an independent contractor within the California  
11 public school system, but the member may not make  
12 contributions to the retirement fund or accrue service credit based  
13 on compensation earned from that service. *The employer shall*  
14 *maintain accurate records of the earnings of the retired member*  
15 *and report those earnings monthly to the system and retired*  
16 *member as described in Section 22461.*

17 (b) ~~The~~ *If a member is retired for service under this part, the*  
18 *rate of pay for service performed by—*~~a that member retired for~~  
19 ~~service under this part~~ *as an employee of the employer, as an*  
20 *employee of a third party, or as an independent contractor, may*  
21 *not be less than the minimum, nor exceed that paid by the*  
22 *employer to other employees performing comparable duties.*

23 (c) A member retired for service under this part may not be  
24 required to reinstate for performing the activities identified in  
25 paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision  
26 (b), of Section 22119.5, as an employee of an employer, as an  
27 employee of a third party, or as an independent contractor within  
28 the California public school system.

29 (d) A member retired for service under this part may earn  
30 compensation for performing activities identified in paragraphs  
31 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of  
32 Section 22119.5 in any one school year up to the limitation  
33 specified in subdivision (f) as an employee of an employer, as an  
34 employee of a third party, or an independent contractor, within  
35 the California public school system, without a reduction in his or  
36 her retirement allowance.

37 (e) The postretirement compensation limitation provisions set  
38 forth in this section are not applicable to compensation earned for  
39 the performance of the activities described in subdivision (a) for  
40 which the employer is not eligible to receive state apportionment

1 or to compensation that is not creditable pursuant to Section  
2 22119.2.

3 (f) The limitation that shall apply to the compensation for  
4 performance of the activities identified in paragraphs (1) to (9),  
5 inclusive, of subdivision (a), or subdivision (b), of Section  
6 22119.5 by a member retired for service under this part either as  
7 an employee of an employer, an employee of a third party, or as  
8 an independent contractor, shall, in any one school year, be an  
9 amount calculated by the board each July 1 equal to twenty-two  
10 thousand dollars (\$22,000) adjusted by the percentage change in  
11 the average compensation earnable of active members of the  
12 Defined Benefit Program, as determined by the system, from the  
13 1998–99 fiscal year to the fiscal year ending in the previous  
14 calendar year.

15 (g) If a member retired for service under this part earns  
16 compensation for performing activities identified in paragraphs  
17 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of  
18 Section 22119.5 in excess of the limitation specified in  
19 subdivision (f), as an employee of an employer, as an employee  
20 of a third party, or as an independent contractor, within the  
21 California public school system, the member's retirement  
22 allowance shall be reduced by the amount of the excess  
23 compensation. The amount of the reduction may be equal to the  
24 monthly allowance payable but may not exceed the amount of  
25 the annual allowance payable under this part for the fiscal year in  
26 which the excess compensation was earned.

27 (h) The language of this section derived from the amendments  
28 to the section of this number added by Chapter 394 of the  
29 Statutes of 1995, enacted during the 1995–96 Regular Session, is  
30 deemed to have become operative on July 1, 1996.

31 (i) This section shall become operative on January 1, 2008.

32 *SEC. 30. Section 24221 of the Education Code is amended to*  
33 *read:*

34 24221. (a) A member who retires for service prior to January  
35 1, 2011, may elect, on a form prescribed by the system, to  
36 receive a lump-sum payment and an actuarially reduced monthly  
37 allowance pursuant to this section in lieu of the monthly  
38 unmodified allowance that would otherwise be payable to the  
39 member pursuant to this chapter. The election under this section

1 shall be made at the time the member files his or her application  
2 for service retirement allowance as provided in Section 24204.

3 (b) A member who makes the election described in  
4 subdivision (a) shall receive a one-time, lump-sum payment in an  
5 amount that equals or does not exceed the lesser of the following  
6 amounts:

7 (1) The actuarial present value of the amount by which (A) the  
8 monthly unmodified allowance payable to the member pursuant  
9 to this chapter exceeds (B) an amount equal to 2 percent of the  
10 member's final compensation multiplied by the number of years  
11 of credited service and divided by 12.

12 (2) Fifteen percent of the actuarial present value of the  
13 monthly unmodified allowance payable to the member under this  
14 chapter.

15 (c) Notwithstanding any other provision of this part, a member  
16 who makes the election described in subdivision (a) shall receive  
17 a monthly unmodified allowance, pursuant to this chapter, that  
18 shall be actuarially reduced to reflect the lump-sum amount paid  
19 under subdivision (b). The actuarial reduced unmodified  
20 allowance may be modified pursuant to Section 24300 *or*  
21 *24300.1*.

22 (d) A member may not apply a lump-sum payment made  
23 pursuant to this section for the purposes of redepositing  
24 previously refunded retirement contributions pursuant to Chapter  
25 19 (commencing with Section 23200) or purchasing service  
26 credit pursuant to Chapter 14 (commencing with Section 22800),  
27 Chapter 14.2 (commencing with Section 22820) or Chapter 14.5  
28 (commencing with Section 22850). The Legislature hereby finds  
29 and declares that if a member who elects to receive a partial  
30 lump-sum payment also elects to redeposit previously refunded  
31 retirement contributions or purchase service credit as a result of  
32 the receipt of the lump-sum payment, the Defined Benefit  
33 Program may experience a net actuarial impact.

34 (e) An election pursuant to subdivision (a) may have no net  
35 actuarial impact to the Defined Benefit Program. The board shall  
36 adopt present value factors to establish a corresponding  
37 actuarially reduced monthly allowance, that results in no net  
38 actuarial impact to the Defined Benefit Program. The Legislature  
39 reserves the right to modify the provisions of this section to  
40 further the objective of permitting eligible members to receive a

1 lump-sum distribution of a portion of their benefits, with a  
2 corresponding actuarial reduction in their monthly allowance, so  
3 that there is no net actuarial impact to the Defined Benefit  
4 Program.

5 *SEC. 31. Section 24300 of the Education Code is amended to*  
6 *read:*

7 24300. (a) A member may, prior to the effective date of the  
8 member's retirement, elect an option pursuant to this part that  
9 would provide an actuarially modified retirement allowance  
10 payable throughout the life of the member and the member's  
11 option beneficiary, as follows:

12 (1) Option 2. The modified retirement allowance shall be  
13 paid to the retired member. Upon the retired member's death, an  
14 allowance equal to the modified amount that the retired member  
15 was receiving shall be paid to the option beneficiary.

16 (2) Option 3. The modified retirement allowance shall be  
17 paid to the retired member. Upon the retired member's death, an  
18 allowance equal to one-half of the modified amount that the  
19 retired member was receiving shall be paid to the option  
20 beneficiary.

21 (3) Option 4. The modified retirement allowance shall be  
22 paid to the retired member as long as both the retired member  
23 and the option beneficiary are living. Upon the death of either the  
24 retired member or the option beneficiary, an allowance equal to  
25 two-thirds of the modified amount that the retired member was  
26 receiving shall be paid to the surviving retired member or the  
27 surviving option beneficiary.

28 (4) Option 5. The modified retirement allowance shall be  
29 paid to the retired member as long as both the retired member  
30 and the option beneficiary are living. Upon the death of either the  
31 retired member or the option beneficiary, an allowance equal to  
32 one-half of the modified amount that the retired member was  
33 receiving shall be paid to the surviving retired member or  
34 surviving option beneficiary.

35 (5) Option 6. The modified retirement allowance shall be  
36 paid to the retired member and upon the retired member's death,  
37 an allowance equal to the modified amount that the retired  
38 member was receiving shall be paid to the option beneficiary.  
39 However, if the option beneficiary predeceases the retired  
40 member, the retirement allowance without modification for the



option shall be payable to the retired member. If the option beneficiary predeceases the retired member, the retired member may designate a new option beneficiary. The effective date of the new designation shall be six months following the date notification is received by the board, so long as both the retired member and the designated option beneficiary are then living. Notification shall be on a properly executed form for the new designation. The selection of the new option beneficiary under this subdivision is subject to an actuarial modification of the unmodified retirement allowance. ~~A retired member may not designate any new option beneficiary that would and shall not~~ result in any additional liability to the fund. *The new option beneficiary shall not be an existing option beneficiary.*

(6) Option 7. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to one-half of the modified amount the retired member was receiving shall be paid to the option beneficiary. However, if the option beneficiary predeceases the retired member, the retirement allowance without modification for the option shall be payable to the retired member. If the option beneficiary predeceases the retired member, the retired member may designate a new option beneficiary. The effective date of the new designation shall be six months following the date notification is received by the board, provided both the retired member and the designated option beneficiary are then living. Notification shall be on a properly executed form for the new designation. The selection of the new option beneficiary under this subdivision is subject to an actuarial modification of the unmodified retirement allowance. ~~A retired member may not designate any new option beneficiary that would and shall not~~ result in any additional liability to the fund. *The new option beneficiary shall not be an existing option beneficiary.*

(7) Option 8. (A) Any member, prior to the effective date of the member's retirement, may designate multiple option beneficiaries. The member who has designated more than one option beneficiary shall select an option that the member is authorized to elect subject to subdivision (e) for each beneficiary designated that would provide an actuarially modified retirement allowance payable throughout the lives of the member and the member's option beneficiaries.

(B) The modified retirement allowance shall be paid to the retired member as long as the retired member and at least one of the option beneficiaries are living. Upon the retired member's death, an allowance shall be paid to each surviving option beneficiary in accordance with the option elected respective to that beneficiary. However, if one or more of the option beneficiaries predeceases the retired member, the retired member's allowance shall be adjusted in accordance with the option elected for the deceased beneficiary. The member shall determine the percentage of the unmodified allowance that will be modified by the election of Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 under this option, the aggregate of which ~~may not exceed~~ *shall equal* 100 percent of the member's unmodified allowance. The election of this option is subject to approval by the board.

(C) A member who is a party to an action for legal separation or dissolution of marriage and who is required by court order to designate a spouse or former spouse as an option beneficiary may designate his or her spouse or former spouse as a sole option beneficiary under subparagraphs (A) and (B). The member shall specify the option selected for the spouse or former spouse and the percentage of his or her unmodified allowance to be modified under the option, consistent with the court order. The percentage of the member's unmodified allowance that is not modified under the option shall remain an unmodified allowance payable to the member. The aggregate of the percentages specified for the option beneficiary and the member's remaining unmodified allowance, if any, ~~may not exceed~~ *shall equal* 100 percent.

(b) For purposes of this section, the member shall designate an option beneficiary on a form prescribed by the system, which shall be duly executed and filed with the system at the time of the member's retirement.

(c) A member may revoke or change an election of an option at any time prior to the effective date of the member's retirement under this part. A revocation or change of an option may not be made in derogation of a spouse's or former spouse's community property rights as specified in a court order.

(d) On or before July 1, 2004, the board shall evaluate the existing options and annuities provided pursuant to this section, Chapter 38 (commencing with Section 25000) of this part, and

1 Part 14 (commencing with Section 26000) and adopt, as a plan  
2 amendment, any appropriate changes to the options and annuities  
3 based on the needs of members, participants, and their  
4 beneficiaries, including, but not limited to, providing economic  
5 security for beneficiaries and reducing complexity in the  
6 selection of options and annuities by members and participants.  
7 The changes to the options and annuities may have no net  
8 actuarial impact on the retirement fund, and the board may  
9 establish any eligibility criteria it deems necessary to prevent an  
10 adverse actuarial impact to the fund. The board shall designate  
11 the effective date of the plan amendment, which shall be at least  
12 18 months after the amendment is adopted by the board, and  
13 notwithstanding any other provision of this section, the options  
14 and annuities available to members and participants eligible to  
15 retire pursuant to this part and Part 14 (commencing with Section  
16 26000), after the effective date of the plan amendment made  
17 pursuant to this subdivision, shall reflect the changes adopted as  
18 a plan amendment pursuant to this subdivision.

19 (e) Any member or participant who retired and elected an  
20 option or a joint and survivor annuity, or who filed a  
21 preretirement election of an option prior to the effective date of  
22 the plan amendment made pursuant to subdivision (d), may elect  
23 to change to a different option or joint and survivor annuity, as  
24 modified by the board as a plan amendment pursuant to  
25 subdivision (d), if the member or participant meets all the criteria  
26 established by the board to prevent a change in an option or joint  
27 and survivor annuity from having an adverse actuarial impact on  
28 the retirement fund, including, but not limited to, the effective  
29 date of a new designation or limitations on any changes if a  
30 member or participant, as the case may be, or beneficiary, or  
31 both, is currently not living or afflicted with a known terminal  
32 illness. The member or participant shall designate the change  
33 during the six-month period that begins with the effective date of  
34 the plan amendment, on a form prescribed by the system. Any  
35 member changing an option election pursuant to this subdivision  
36 is not subject to the allowance reduction prescribed in Section  
37 24309 or 24310 as a result of the election. If a member or  
38 participant elects to change his or her option or joint and survivor  
39 annuity under this subdivision, the member or participant shall

1 retain the same option beneficiary or beneficiaries as named in  
2 the prior designation.

3 (f) The Legislature reserves the right to modify this section  
4 prior to the effective date of the plan amendment made pursuant  
5 to subdivision (d) to prevent any actuarial impact to the fund.

6 (g) *Except as described in subdivision (d) of Section 24300.1,*  
7 *on or after January 1, 2007, a member may not make a new*  
8 *election for an option or joint and survivor annuity described in*  
9 *subdivision (a).*

10 SEC. 32. *Section 24300.1 is added to the Education Code, to*  
11 *read:*

12 24300.1. (a) *A member may, prior to the effective date of his*  
13 *or her retirement, elect an option pursuant to this part that would*  
14 *provide an actuarially modified retirement allowance payable*  
15 *throughout the life of the member and the member's option*  
16 *beneficiary, as follows:*

17 (1) *One hundred percent beneficiary option. The modified*  
18 *retirement allowance shall be paid to the member and upon the*  
19 *member's death, 100 percent of the modified allowance shall*  
20 *continue to be paid to the option beneficiary.*

21 (2) *Seventy-five percent beneficiary option. The modified*  
22 *retirement allowance shall be paid to the member and upon the*  
23 *member's death, 75 percent of the modified allowance shall*  
24 *continue to be paid to the option beneficiary. Pursuant to Section*  
25 *401(a)(9) of the Internal Revenue Code, unless the option*  
26 *beneficiary is the member's spouse or former spouse who has*  
27 *been awarded a community property interest in the benefits of*  
28 *the member under this part, the member may not designate an*  
29 *option beneficiary under this option who is more than 19 years of*  
30 *age younger than the member.*

31 (3) *Fifty percent beneficiary option. The modified retirement*  
32 *allowance shall be paid to the member and upon the death of the*  
33 *member, 50 percent of the modified allowance shall continue to*  
34 *be paid to the option beneficiary.*

35 (4) *Compound option. The member may designate one or more*  
36 *option beneficiaries. The member shall select an option for each*  
37 *designated option beneficiary that would provide an actuarially*  
38 *modified retirement allowance payable throughout the lives of*  
39 *the member and the member's option beneficiaries.*

1 (A) *The modified retirement allowance shall be paid to the*  
2 *member as long as the member and at least one of the option*  
3 *beneficiaries are living. Upon the member's death, an allowance*  
4 *shall be paid to each surviving option beneficiary in accordance*  
5 *with the option elected respective to that beneficiary. If one or*  
6 *more of the option beneficiaries predeceases the member, the*  
7 *member's allowance shall be adjusted in accordance with the*  
8 *option elected for the deceased beneficiary.*

9 (B) *A member may designate a single option beneficiary*  
10 *pursuant to the compound option and shall specify the percent of*  
11 *the unmodified allowance that will be modified by the election of*  
12 *the option described in paragraph (1), (2), or (3) of this*  
13 *subdivision. The percent of the unmodified allowance of the*  
14 *member that is not modified under the option shall be payable to*  
15 *the member. The sum of the percentages specified for the option*  
16 *beneficiary and the member's remaining unmodified allowance*  
17 *shall equal 100 percent.*

18 (C) *A member may designate more than one option*  
19 *beneficiary pursuant to the compound option and shall specify*  
20 *the percent of the unmodified allowance that will be modified by*  
21 *the election of the options described in paragraph (1), (2), or (3),*  
22 *of this subdivision for each option beneficiary. The percent of the*  
23 *unmodified allowance of the member that is not modified under*  
24 *the options shall be payable to the member. The sum of the*  
25 *percentages specified for each option beneficiary and the*  
26 *member's remaining unmodified allowance shall equal 100*  
27 *percent.*

28 (D) *The member's election of the Compound Option is subject*  
29 *to all of the following:*

30 (i) *Pursuant to Section 401(a)(9) of the Internal Revenue*  
31 *Code, if the member elects the 100 Percent Beneficiary Option*  
32 *through his or her Compound Option election, and unless the*  
33 *option beneficiary is the member's spouse or former spouse who*  
34 *has been awarded a community property interest in the member's*  
35 *benefits under this part, the member may not designate an option*  
36 *beneficiary under this option who is 10 or more years younger*  
37 *than the member.*

38 (2) *Pursuant to Section 401(a)(9) of the Internal Revenue*  
39 *Code, if the member elects the 75 Percent Beneficiary Option*  
40 *through his or her Compound Option election, and unless the*

1 option beneficiary is the member's spouse or former spouse who  
2 has been awarded a community property interest in the member's  
3 benefits under this part, the member may not designate an option  
4 beneficiary under this option who is more than 19 years of age  
5 younger than the member.

6 (b) If an option beneficiary designated pursuant to paragraphs  
7 (1) to (4), inclusive, of subdivision (a) predeceases the member,  
8 that portion of the retirement allowance payable to the option  
9 beneficiary shall be paid to the member as a retirement  
10 allowance without modification. If the option beneficiary  
11 predeceases the member, the member may designate a new  
12 option beneficiary for that portion of the retirement allowance  
13 payable to the prior option beneficiary. The effective date of the  
14 new designation shall be six months following the date of  
15 notification is received by the board, provided both the member  
16 and the designated option beneficiary are then living.  
17 Notification shall be on a properly executed form provided by the  
18 system. The designation of the new option beneficiary pursuant  
19 to this subdivision is subject to an actuarial modification of the  
20 unmodified retirement allowance and may not result in  
21 additional liability to the fund. The new option beneficiary  
22 cannot be an existing option beneficiary.

23 (c) Notwithstanding Section 297 or 299.2 of the Family Code,  
24 a spouse described in paragraph (2), (3), and (4) of subdivision  
25 (a) does not include the domestic partner of the member,  
26 pursuant Section 7 of Title 1 of the United States Code.

27 (d) If there is a determination of community property rights as  
28 described in Chapter 12 (commencing with Section 22650) of this  
29 part on or before December 31, 2006, the member may elect the  
30 option that is required by the judgment or court order. Nothing  
31 in this section shall permit the member to change the option to  
32 the detriment of the community property interest of the  
33 nonmember spouse.

34 (e) The board may evaluate the existing options and annuities  
35 provided pursuant to this section, Chapter 38 (commencing with  
36 Section 25000) of this part, and Part 14 (commencing with  
37 Section 26000) and adopt, as a plan amendment, any appropriate  
38 changes to the options and annuities based on the needs of the  
39 members, participants, and their beneficiaries, including, but not  
40 limited to, providing economic security for beneficiaries and

1 *reducing the complexity of the options and annuities. The*  
2 *changes to the options and annuities may have no net actuarial*  
3 *impact on the retirement fund and the board may establish any*  
4 *eligibility criteria the board deems necessary to prevent an*  
5 *adverse actuarial impact to the fund. The board shall designate*  
6 *the effective date of the plan amendment, which shall be at least*  
7 *18 months after the amendment is adopted by the board, and*  
8 *notwithstanding any other provision of this section, the options*  
9 *and annuities available to members and participants eligible to*  
10 *retire pursuant to this part and Part 14 (commencing with*  
11 *Section 26000), after the effective date of the plan amendment*  
12 *made pursuant to this subdivision, shall reflect the changes*  
13 *adopted as a plan amendment to this subdivision.*

14 *SEC. 33. Section 24300.2 is added to the Education Code, to*  
15 *read:*

16 *24300.2. (a) A member who retired and elected an option*  
17 *pursuant to Section 24300 may elect to change options, subject to*  
18 *all of the following:*

19 *(1) A member who elected Option 2 may elect the 100 percent*  
20 *beneficiary option described in paragraph (1) or the 75 percent*  
21 *beneficiary option described in paragraph (2) of subdivision (a)*  
22 *of Section 24300.1.*

23 *(2) A member who elected Option 3, Option 4, or Option 5*  
24 *may elect the 75 percent beneficiary option described in*  
25 *paragraph (2) or the 50 percent beneficiary option described in*  
26 *paragraph (3) of subdivision (a) of Section 24300.1.*

27 *(3) A member who elected Option 6 or Option 7 may elect the*  
28 *75 percent beneficiary option described in paragraph (2) of*  
29 *subdivision (a) of Section 24300.1.*

30 *(4) A member who elected Option 8 may elect the compound*  
31 *option described in paragraph (4) of subdivision (a) of Section*  
32 *24300.1 or an option described in paragraphs (1), (2), or (3) in*  
33 *this subdivision.*

34 *(5) The election of a member under this section is made on or*  
35 *after January 1, 2007, and prior to July 1, 2007.*

36 *(6) The member designates the same beneficiary that was*  
37 *designated under the prior option election of the member.*

38 *(7) The option beneficiary is not afflicted with a known*  
39 *terminal illness and the member declares, under penalty of*  
40 *perjury under the laws of this state, that to the best of his or her*

1 *knowledge, the option beneficiary is not afflicted with a known*  
2 *terminal illness.*

3 *(8) The option beneficiary has not predeceased the member as*  
4 *of the effective date of the change in the option of the member.*

5 *(b) The change in the option of the member shall be effective*  
6 *on the date the election is signed, provided that the election is on*  
7 *a properly executed form provided by the system and that*  
8 *election is received at the system's headquarters office as*  
9 *described in Section 22375 within 30 days after the date the*  
10 *election is signed.*

11 *(c) If the member elects to change his or her option as*  
12 *described in subdivision (a), the retirement allowance of the*  
13 *member shall be modified in a manner determined by the board*  
14 *to prevent any additional liability to the plan.*

15 *SEC. 34. Section 24300.6 of the Education Code is amended*  
16 *to read:*

17 24300.6. (a) Any retired member who was unmarried and not  
18 in a registered domestic partnership on the effective date of  
19 retirement who did not elect an option pursuant to Section 24300  
20 or 24300.1, and who thereafter marries or registers in a domestic  
21 partnership, may, after the effective date of the member's  
22 retirement under this part, elect an option described in paragraphs  
23 (1) to (6), inclusive, of subdivision (a) of Section 24300, or an  
24 option described in paragraph (1), (2), or (3) of subdivision (a)  
25 of Section 24300.1, naming his or her new spouse or registered  
26 domestic partner as the option beneficiary, subject to all of the  
27 following:

28 (1) The retired member shall have been married or registered  
29 in a domestic partnership for at least one year prior to making the  
30 election of the option.

31 (2) The retired member shall notify the board, in writing on a  
32 properly executed form provided by the system, of the election of  
33 the option and the designation of the member's new spouse or  
34 registered domestic partner as the option beneficiary.

35 (3) The election of an option under this section is subject to  
36 approval by the board. A retired member may not elect a joint  
37 and survivor option that would result in any additional liability to  
38 the retirement fund. A retired member may not elect Option 8  
39 described in Section 24300 or the compound option described in  
40 paragraph (4) of subdivision (a) of Section 24300.1.



1 (4) The election shall be effective six months after the date the  
2 notification is received by the board, provided that both the  
3 retired member and the retired member's designated spouse or  
4 registered domestic partner are then living.

5 (b) The election of the option and designation of the option  
6 beneficiary under this section shall result in an actuarial  
7 modification of the member's retirement allowance that shall be  
8 payable through the life of the member and the member's new  
9 spouse or registered domestic partner. Modification of the  
10 member's retirement allowance pursuant to this section shall be  
11 based on the ages of the retired member and the retired member's  
12 new spouse or registered domestic partner as of the effective date  
13 of the election.

14 ~~(c) This section shall be operative July 1, 2001.~~

15 *SEC. 35. Section 24301 of the Education Code is amended to*  
16 *read:*

17 24301. (a) A member who has filed an application under this  
18 part for a disability retirement pursuant to Chapter 26  
19 (commencing with Section 24100) may elect, as provided in  
20 Section 24300 *or 24300.1* to receive an actuarially modified  
21 disability retirement allowance. After receipt of a disability  
22 retirement application from a member, the board shall mail an  
23 acknowledgment notice to the member. A 30-day period shall  
24 commence with the mailing of the acknowledgment, during  
25 which time the member may change the option election made on  
26 the disability retirement application.

27 (b) The option shall become effective on the effective date of  
28 the disability retirement allowance. The modification of the  
29 disability retirement allowance under the option elected shall be  
30 based on the ages of the retired member and the designated  
31 option beneficiary as of the effective date of the disability  
32 retirement. The modification shall be applicable only to the  
33 disability retirement allowance payable pursuant to subdivision  
34 (a) of Section 24106.

35 (c) The elected option may not be revoked or changed after the  
36 later of the effective date of the disability retirement allowance or  
37 30 days after the mailing of the acknowledgment notice pursuant  
38 to this section.

39 (d) If a member dies prior to electing an unmodified allowance  
40 or an option, the death benefits shall be payable under Chapter 23

(commencing with Section 23850), regardless of whether the disability retirement application is or would have been approved.

*SEC. 36. Section 24302 of the Education Code is amended to read:*

24302. Upon termination of a service retirement allowance pursuant to Section 24208, any option elected pursuant to Section 24300 *or 24300.1* and in effect at the time of reinstatement shall be considered to be a preretirement election of an option elected as of the effective date of that retirement and shall be subject to the same provisions as an option elected under Section 24307.

*SEC. 37. Section 24303 of the Education Code is amended to read:*

24303. Termination of the service retirement allowance pursuant to Section 24208 shall not cancel an option elected under the provisions of Section 24300, *24300.1*, or 24307. The option *elected* shall remain in effect, unchanged, and shall be reapplied to the allowance payable upon the subsequent service retirement. *The effective date of the option shall be considered the effective date of the terminated service retirement allowance as described in Section 24302.*

*SEC. 38. Section 24305 of the Education Code is amended to read:*

24305. (a) An option elected under Section 24300 *or 24300.1* may be canceled by a retired member if the option beneficiary is the retired member's spouse or former spouse and a final decree of dissolution of marriage or a judgment of nullity has been entered or an order of separate maintenance has been made on or after January 1, 1978, by a court of competent jurisdiction. A retired member may cancel the option before or after issuance of the first retirement allowance payment.

(b) The retired member shall notify the board in writing of cancellation of the option. Notification shall not be earlier than the effective date of the decree, judgment, or order and shall include a certified copy of the final decree of dissolution, or judgment of nullity, or an order of separate maintenance, and any property settlement agreement.

(c) Upon notification to the board, the retired member may elect (1) to receive the unmodified retirement allowance from the date of receipt of the notification; or (2) a new joint and survivor option under Section ~~24300~~ *24300.1* and may designate a new

option beneficiary. Modification of the retirement allowance because of the newly elected option or newly designated beneficiary shall be based on the ages of the retired member and the new option beneficiary as of the effective date of the new option. The election of a new joint and survivor option or the designation of a new option beneficiary shall be consistent with the final decree of dissolution, judgment of nullity, order of separate maintenance, or property settlement agreement, and shall not result in any additional liability to the Teachers' Retirement Fund. The effective date of the change shall be the date notification is received by the board.

*SEC. 39. Section 24305.3 of the Education Code, as added by Section 39 of Chapter 1021 of the Statutes of 2000, is amended to read:*

24305.3. (a) A member who is receiving a joint and survivor annuity under the Defined Benefit Supplement Program may change the annuity or the annuity beneficiary elected pursuant to Section 25011-~~or~~, 25011.1, 25018, or 25018.1, provided all of the following conditions are met:

(1) The annuity beneficiary is the member's spouse or former spouse.

(2) A final decree of dissolution of marriage is granted, or a judgment of nullity is entered, or an order of separate maintenance is made by a court of competent jurisdiction with respect to the member and the spouse or former spouse on or after the beginning of the initial plan year designated by the board pursuant to Section 22156.05.

(3) The change is consistent with the final decree of dissolution, judgment of nullity, or order of separate maintenance.

(b) A member may change the annuity pursuant to subdivision (a) before or after the first annuity payment is issued.

(c) The member shall notify the system in writing of the change in the annuity. The notification shall not be earlier than the effective date of the final decree of dissolution, judgment of nullity, or order of separate maintenance and shall include a certified copy of the final decree of dissolution, judgment of nullity, or order of separate maintenance, and any property settlement agreement.

(d) A change in the annuity or annuity beneficiary or both shall become effective on the date the notification of change is received by the system. The annuity amount payable to the member upon the change elected by the member shall be determined as of the effective date of the change and shall be the actuarial equivalent of the lump sum that would otherwise be payable to the member as of the date of the change. If the member elects a joint and survivor annuity, the amount payable under the annuity shall be modified consistent with the annuity elected by the member.

*SEC. 40. Section 24305.5 of the Education Code is amended to read:*

24305.5. (a) An option elected under Section 24300 or 24300.1 may be canceled by a retired member if the option beneficiary is not the retired member's spouse or former spouse. A retired member may cancel the option before or after issuance of the first retirement allowance payment and shall designate his or her spouse as the new option beneficiary and the same or a different joint and survivor option described in Section 24300 or 24300.1.

(b) The retired member shall notify the board, in writing on a properly executed form provided by the system, of the designation of the new option beneficiary. Notification shall include a certified copy of the marriage certificate and a properly executed form for the change.

(c) The effective date of the new election shall be six months following the date notification is received by the board, provided both the retired member and the new designated option beneficiary are then living.

(d) The selection of the new option beneficiary and the new option under this section and Section 24300 or 24300.1 shall be subject to a further actuarial modification of the modified retirement allowance. In no event may a retired member elect a joint and survivor option that would result in any additional liability to the fund. *A retired member may not elect Option 8 described in Section 24300 or the compound option described in paragraph (4) of subdivision (a) of Section 24300.1.* Modification of the retirement allowance because of the new option beneficiary and the new option shall be based on the ages

1 of the retired member and the new option beneficiary as of the  
2 effective date of the new election.

3 *SEC. 41. Section 24306 of the Education Code is amended to*  
4 *read:*

5 24306. (a) (1) If an option beneficiary designated in the  
6 election of an Option 2, Option 3, Option 4, or Option 5, ~~or in the~~  
7 ~~election of Option 2, Option 3, Option 4, or Option 5 under~~  
8 ~~Option 8~~, predeceases the retired member, the retired member  
9 may designate either or both of the following:

10 (A) ~~A new option beneficiary.~~

11 (B) ~~A different~~ *elect a new joint and survivor option described*  
12 *in paragraphs (1) to (4), inclusive, of subdivision (a) of Section*  
13 ~~24300~~ *24300.1 and designate a new option beneficiary.*

14 (2) *If an option beneficiary designated in the election of*  
15 *Option 2, Option 3, Option 4, or Option 5 described in Option 8,*  
16 *predeceases the member, the member may elect a new joint and*  
17 *survivor option described in paragraph (1), (2), or (3) of*  
18 *subdivision (a) of Section 24300.1 and designate a new option*  
19 *beneficiary for the portion that was payable to the prior option*  
20 *beneficiary. The member may not elect the compound option*  
21 *described in paragraph (4) of subdivision (a) of Section 24300.1.*

22 (3) The effective date of the change shall be six months  
23 following the date notification is received by the board, provided  
24 both the retired member and the designated option beneficiary  
25 are then living. Notification shall include proof of death of the  
26 predeceased beneficiary and a properly executed form ~~for the~~  
27 ~~change provided by the system.~~

28 (3) ~~—~~

29 (4) ~~The selection~~ *election* of the new joint and survivor option  
30 under this subdivision and Section ~~24300~~ *24300.1* is subject to a  
31 further actuarial modification of the modified retirement  
32 allowance. In no event may a retired member elect a joint and  
33 survivor option that would result in any additional liability to the  
34 fund.

35 (b) If an option beneficiary designated in the election of an  
36 Option 6 or Option 7 or in the election of Option 6 or Option 7  
37 under Option 8, pursuant to Section 24300 or 24307 predeceases  
38 the retired member, that portion of the retirement allowance  
39 attributable to Option 6 or Option 7 without modification for the  
40 option shall be payable to the retired member upon notification to

1 the board and shall commence to accrue to the retired member as  
2 of the day following the date of the death of the option  
3 beneficiary. Notification to the board shall include proof of death  
4 of the beneficiary *and a properly executed form provided by the*  
5 *system.*

6 ~~(c) This section shall become operative on January 1, 2000. If~~  
7 ~~a designated option beneficiary in an option election pursuant to~~  
8 ~~paragraphs (1) to (4), inclusive, of subdivision (a) of Section~~  
9 ~~24300.1 or Section 24307 predeceases the member, the~~  
10 ~~retirement allowance without modification for the option elected~~  
11 ~~shall be payable to the member. The member shall notify the~~  
12 ~~board on a properly executed form provided by the system of the~~  
13 ~~death of the option beneficiary and provide proof of death of that~~  
14 ~~option beneficiary. The payment of the retirement allowance~~  
15 ~~without modification shall be effective as of the day following the~~  
16 ~~date of death of the option beneficiary.~~

17 SEC. 42. Section 24306.7 of the Education Code is amended  
18 to read:

19 24306.7. (a) Any member who retired for service under  
20 Option 4 or Option 5 with an effective date prior to January 1,  
21 1991, may elect to change Option 4 to Option 6 or Option 5 to  
22 Option 7 if all of the following conditions are met:

23 (1) The election is made during the three-month period  
24 commencing January 1, 1999, and ending March 31, 1999.

25 (2) The same beneficiary under Option 4 or Option 5 is named  
26 as beneficiary under Option 6 or Option 7.

27 (3) The change in options is consistent with Sections 22453  
28 and 24305.

29 (4) The option beneficiary is not afflicted with any known  
30 terminal illness.

31 (5) The option beneficiary has not predeceased the retired  
32 member as of the effective date of the change in option.

33 (6) The election to change the option under this section is  
34 ~~received in the system's office in Sacramento~~ *at the system's*  
35 *headquarters office as described in Section 22375* at least 30  
36 days prior to the death of the option beneficiary.

37 (b) Failure to satisfy all of the conditions in subdivision (a)  
38 shall render the change of election invalid.

39 (c) The change in options under this section shall be effective  
40 on the date the election is signed, provided all the conditions set

forth in subdivision (a) are satisfied and the election is received at the system's headquarters office, as established pursuant to Section 22375, within 30 days after the date of the signature.

(d) The selection of a new joint and survivor option under this section is subject to a further modification of the modified retirement allowance. In no event may a retired member elect a joint and survivor option that would result in any additional liability to the fund.

*SEC. 43. Section 24307 of the Education Code is amended to read:*

24307. (a) A member who qualifies to apply for retirement under Section 24201 or 24203 may make a preretirement election of an option, as provided in Section 24300 *or 24300.1* without right of revocation or change after the effective date of retirement, except as provided in this part. The preretirement election of an option shall become effective as of the date of the member's signature on a properly executed form prescribed by the system, subject to the following requirements:

(1) The form includes the signature of the member's spouse or registered domestic partner, if applicable, the signature is dated, and the date of the signature is within 30 days of the member's signature.

(2) The date the form is received at the system's headquarters office, as established pursuant to Section 22375, is within 30 days of the date of the member's signature and within 30 days of the date of the spouse or registered domestic partner's signature, if applicable.

(b) A member who makes a preretirement election of an Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 pursuant to Section 24300, or an election as described in paragraph (1), (2), or (3) of Section 24300.1 may subsequently make a preretirement election of ~~Option 8~~ the compound option described in paragraph (4) of subdivision (a) of Section 24300.1. The member may retain the same option and the same option beneficiary as named in the prior preretirement election, as an option under Option 8.

(c) Upon the member's death prior to the effective date of retirement, the beneficiary who was designated under the option elected and who survives shall receive an allowance calculated under the option, under the assumption that the member retired

1 for service pursuant to Chapter 27 (commencing with Section  
2 24201) on the date of death. The payment of the allowance to the  
3 option beneficiary shall be in lieu of the family allowance  
4 provided in Section 23804, the payment provided in paragraph  
5 (1) of subdivision (a) of Section 23802, the survivor benefit  
6 allowance provided in Section 23854, and the payment provided  
7 in subdivisions (a) and (b) of Section 23852, except that if the  
8 beneficiary dies before all of the member's accumulated  
9 retirement contributions are paid, the balance, if any, shall be  
10 paid to the estate of the person last receiving or entitled to  
11 receive the allowance. The accumulated annuity deposit  
12 contributions and the death payment provided in Sections 23801  
13 and 23851 shall be paid to the beneficiary in a lump sum.

14 (d) If the member subsequently retires for service, and the  
15 elected option has not been canceled pursuant to Section 24309,  
16 a modified service retirement allowance computed under Section  
17 24300 *or 24300.1* and the option elected shall be paid.

18 (e) The amount of the service retirement allowance prior to  
19 applying the option factor shall be calculated as of the earlier of  
20 the member's age at death before retirement or age on the last  
21 day of the month in which the member requested service  
22 retirement be effective. The modification of the service  
23 retirement allowance under the option elected shall be based on  
24 the ages of the member and the beneficiary designated under the  
25 option, as of the date the election was signed.

26 (f) A member who terminates the service retirement allowance  
27 pursuant to Section 24208 shall not be eligible to file a  
28 preretirement election of an option until one calendar year  
29 elapses from the date the allowance is terminated.

30 (g) The system shall inform members who are qualified to  
31 make a preretirement election of an option, through the annual  
32 statements of account, that the election of an option can be made.

33 ~~(h) This section shall become operative on January 1, 2000.~~

34 *SEC. 44. Section 24309 of the Education Code is amended to*  
35 *read:*

36 24309. (a) A member may cancel the election of an option  
37 made pursuant to Section 24307, providing ~~written~~ cancellation  
38 *is on a properly executed form provided by the system and*  
39 *received by the board on or before the day preceding the*  
40 *effective date of retirement under this part or during the period*



1 between termination of the retirement allowance pursuant to  
2 Section 24208 or 24117 and the effective date of the subsequent  
3 retirement under this part. Regardless of how the member elects  
4 to receive his or her retirement allowance, that allowance shall be  
5 reduced by an amount determined by the board to be the actuarial  
6 equivalent of the coverage the member received as a result of the  
7 preretirement election and that does not result in any adverse  
8 funding to the plan.

9 (b) If the option beneficiary designated in the preretirement  
10 election of an option pursuant to Section 24307 dies prior to the  
11 member's retirement, the preretirement election shall be canceled  
12 as of the day following the date of death and the member's  
13 subsequent retirement allowance under this part shall be subject  
14 to the allowance reduction prescribed in this section.

15 (c) *If the option elected pursuant to Section 24307 is the*  
16 *compound option as described in paragraph (4) of subdivision*  
17 *(a) of Section 24300.1, a member may cancel the designation of*  
18 *an option beneficiary. If the member cancels the designation of*  
19 *the option beneficiary or the option beneficiary predeceases the*  
20 *member prior to the member's retirement, the member may elect*  
21 *to receive a retirement allowance without modification for the*  
22 *option or elect a new or existing option beneficiary as described*  
23 *in Section 24307 for the portion that was payable to the prior*  
24 *option beneficiary.*

25 SEC. 45. *Section 24312.1 is added to the Education Code, to*  
26 *read:*

27 24312.1. (a) *A member who has a preretirement election of*  
28 *an option in effect on December 31, 2006, pursuant to*  
29 *paragraphs (1) to (6), inclusive, of subdivision (a) of Section*  
30 *24300 may change his or her preretirement election to an option*  
31 *described in paragraph (1), (2), or (3) of subdivision (a) of*  
32 *Section 24300.1 without the allowance reduction described in*  
33 *Sections 24309 and 24310, provided the change is made on or*  
34 *after January 1, 2007, and prior to July 1, 2007.*

35 (b) *A member who elects a preretirement Option 8 and in that*  
36 *Option 8 election elects an option pursuant to paragraphs (1) to*  
37 *(6), inclusive, of subdivision (a) of Section 24300, may change*  
38 *any of the options under paragraphs (1) to (6), inclusive, of*  
39 *subdivision (a) of Section 24300 to an option described in*  
40 *paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1. A*

1 member may not change the portion of the unmodified benefit  
2 that would be modified pursuant to that prior option.

3 (c) The election to change the option of a member as  
4 described in this section shall be subject to all of the following:

5 (1) The member may not change the option beneficiary that  
6 was designated in the prior preretirement option election.

7 (2) The change in options under this section shall be effective  
8 on the date the election is signed, provided that the election is  
9 received at the system's headquarters office, as described in  
10 Section 22375, within 30 days of the date of the signature.

11 (d) If the member elects to change options as described in this  
12 section, the age of the member and the option beneficiary on the  
13 effective date of the prior preretirement option election shall be  
14 the age used to calculate the member's benefit at the time of  
15 retirement.

16 SEC. 46. Section 24402 of the Education Code is amended to  
17 read:

18 24402. (a) Service retirement allowances, disability  
19 allowances, disability retirement allowances, family allowances,  
20 and survivor benefit allowances payable pursuant to this part  
21 shall be increased by application of the benefit improvement  
22 factor.

23 (b) Allowances payable to beneficiaries on account of options  
24 elected under Section 24300, 24300.1, 24301, or 24307 shall be  
25 increased by application of the improvement factor. This factor  
26 shall be applicable on the same date when it would have been  
27 applied to the allowance of the deceased person.

28 (c) The benefit improvement factor shall not be applied to an  
29 annuity that is the actuarial equivalent of the accumulated  
30 annuity deposit contributions standing to the credit of the  
31 member's account on the effective date of a service or disability  
32 retirement.

33 ~~SEC. 2.~~

34 SEC. 47. Section 24703 of the Education Code is amended to  
35 read:

36 24703. Persons who select to be covered only by the Defined  
37 Benefit Program and already have credit for classified or other  
38 noncertificated service in the San Francisco system shall not have  
39 that credit transferred to the Defined Benefit Program.

~~SEC. 3.~~

*SEC. 48.* Section 24704 of the Education Code is amended to read:

24704. The San Francisco Employees' Retirement System shall provide concurrent retirement benefits for classified and other noncertificated service in the San Francisco system according to the provisions applicable to miscellaneous employees of the time of the concurrent retirement for:

(a) Members of that system who transfer to the Defined Benefit Program after June 30, 1972.

(b) Persons who were members of both the San Francisco system and the Defined Benefit Program on June 30, 1972.

(c) A person who could have qualified under subdivision (b) if he or she had not taken a refund from either the San Francisco system or the Defined Benefit Program, but not both, provided the person qualifies for and redeposits prior to retirement.

~~SEC. 4.~~

*SEC. 49.* Section 24705 of the Education Code is amended to read:

24705. Notwithstanding the provisions in Section 24201, a member of the San Francisco system may retire concurrently and receive credit for service performed in other states of the United States, its territories and possessions, and in Canada.

*SEC. 50. Section 25009 of the Education Code is amended to read:*

25009. (a) A member's retirement benefit under the Defined Benefit Supplement Program shall be an amount equal to the balance of credits in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable.

(b) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the member on the application for a retirement benefit. Any retirement benefit paid as an annuity under this chapter shall be subject to Section 25011 *or* 25011.1.

(c) Upon distribution of the entire retirement benefit in a lump-sum payment, no other benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

1     *SEC. 51. Section 25011 of the Education Code is amended to*  
2     *read:*

3     25011. (a) A member or nonmember spouse may elect to  
4     receive the retirement benefit as an annuity payable in monthly  
5     installments, provided the balance of credits in the member's or  
6     nonmember spouse's respective Defined Benefit Supplement  
7     account on the date the retirement benefit becomes payable  
8     equals at least three thousand five hundred dollars (\$3,500) after  
9     any lump-sum payments have been made from the account.

10    (b) If the member elects to receive the retirement benefit as an  
11    annuity, the member shall elect one of the following forms of  
12    payment:

13    (1) A single life annuity without a cash refund feature. This  
14    form of payment is the actuarial equivalent of the amount that  
15    would be payable to the member if the member elected to receive  
16    the retirement benefit in a lump-sum payment. Upon the death of  
17    the member, no other benefit shall be payable to the member's  
18    beneficiary under the Defined Benefit Supplement Program.

19    (2) A single life annuity with a cash refund feature. This form  
20    of payment is the actuarial equivalent of the amount that would  
21    be payable to the member if the member elected to receive the  
22    retirement benefit in a lump-sum payment. Upon the death of the  
23    member, an amount equal to the remaining balance, if any, of  
24    credits transferred from the member's Defined Benefit  
25    Supplement account to the Annuitant Reserve shall be returned in  
26    a lump-sum payment to the member's beneficiary.

27    (3) A 100-percent joint and survivor annuity with a "pop-up"  
28    feature. This form of payment is the actuarial equivalent of the  
29    lump-sum payment modified to be payable over the combined  
30    lives of the member and the member's annuity beneficiary. Upon  
31    the death of the member, the same monthly amount that was  
32    payable to the member shall be paid monthly to the member's  
33    surviving annuity beneficiary. However, if the annuity  
34    beneficiary predeceases the member, the annuity payable to the  
35    member shall be the single life annuity with a cash refund feature  
36    that would have been payable had the member selected that form  
37    of payment at the commencement of the benefit. That single life  
38    annuity shall be payable as of the day following the date of the  
39    annuity beneficiary's death upon receipt by the system of proof  
40    of the annuity beneficiary's death. If the annuity beneficiary

1 predeceases the member, the member may designate a new  
2 annuity beneficiary. The effective date of the new designation  
3 shall be six months following the date notification, on a properly  
4 executed form, is received by the board, provided both the  
5 member and the new designated annuity beneficiary are then  
6 living. The selection of the new annuity beneficiary under this  
7 paragraph is subject to an actuarial modification of the single life  
8 annuity with a cash refund feature. ~~A member may not designate~~  
9 ~~a new annuity beneficiary if that designation would~~ *and may not*  
10 *result in any additional liability to the fund. The new annuity*  
11 *beneficiary may not be an existing beneficiary.*

12 (4) A 50-percent joint and survivor annuity with a “pop-up”  
13 feature. This form of payment is the actuarial equivalent of the  
14 lump-sum payment modified to be payable over the combined  
15 lives of the member and the member’s annuity beneficiary. Upon  
16 the death of the member, one-half of the monthly amount that  
17 was payable to the member shall be paid monthly to the  
18 member’s surviving annuity beneficiary. However, if the annuity  
19 beneficiary predeceases the member, the annuity payable to the  
20 member shall be the single life annuity with a cash refund feature  
21 that would have been payable had the member selected that form  
22 of payment at the commencement of the benefit. That single life  
23 annuity shall be payable as of the day following the date of the  
24 annuity beneficiary’s death upon receipt by the system of proof  
25 of the annuity beneficiary’s death. If the annuity beneficiary  
26 predeceases the member, the member may designate a new  
27 annuity beneficiary. The effective date of the new designation  
28 shall be six months following the date notification, on a properly  
29 executed form, is received by the board, provided both the  
30 member and the new designated annuity beneficiary are then  
31 living. The selection of the new annuity beneficiary under this  
32 paragraph is subject to an actuarial modification of the single life  
33 annuity with a cash refund feature. ~~A member may not designate~~  
34 ~~a new annuity beneficiary if that designation would~~ *and may not*  
35 *result in any additional liability to the fund. The new annuity*  
36 *beneficiary may not be an existing annuity beneficiary.*

37 (5) A period certain annuity. This form of payment is an  
38 annuity equal to the actuarial equivalent of the balance of credits  
39 in the member’s Defined Benefit Supplement account on the date  
40 the retirement benefit becomes payable. The annuity shall be

1 payable in whole year increments over a period of years specified  
2 by the member, from a minimum of three years to a maximum of  
3 10 years. However, the annuity period may not exceed the life  
4 expectancy of the member, or the life expectancy of the member  
5 and the member's annuity beneficiary. If the member's death  
6 occurs prior to the end of the period certain, the remaining  
7 balance of payments shall be paid to the member's annuity  
8 beneficiary pursuant to Section 25022.

9 (c) If a nonmember spouse elects to receive the retirement  
10 benefit as an annuity, the nonmember spouse shall elect the form  
11 of payment specified in paragraph (1), (2), or (5) of subdivision  
12 (b) and, in those paragraphs, references to a "member" shall  
13 apply to the nonmember spouse.

14 (d) *On or after January 1, 2007, a member may not make a*  
15 *new election for an option or joint and survivor annuity*  
16 *described in subdivision (a).*

17 SEC. 52. *Section 25011.1 is added to the Education Code, to*  
18 *read:*

19 25011.1. (a) *A member may elect to receive the retirement*  
20 *benefit as an annuity payable in monthly installments, provided*  
21 *the balance of credits in the member's Defined Benefit*  
22 *Supplement account on the date the retirement benefit becomes*  
23 *payable equals at least three thousand five hundred dollars*  
24 *(\$3,500) after any lump-sum payments have been made from the*  
25 *account. If the member elects to receive the retirement benefit as*  
26 *an annuity, the member shall elect one of the following forms of*  
27 *payments:*

28 (1) *Member only annuity. This is a single life annuity with a*  
29 *cash refund feature that is the actuarial equivalent of the amount*  
30 *that would be payable to the retired member if the member*  
31 *elected to receive the retirement benefit in a lump-sum payment.*  
32 *Upon the death of the member, an amount equal to the remaining*  
33 *balance of credits transferred from the member's Defined Benefit*  
34 *Supplement account to the annuitant reserve shall be returned in*  
35 *a lump-sum payment to the beneficiary of the member.*

36 (2) *One hundred percent beneficiary annuity. This is a joint*  
37 *and survivor annuity that is the actuarial equivalent of the*  
38 *lump-sum payment modified to be payable over the combined*  
39 *lives of the member and the member's annuity beneficiary. Upon*  
40 *the death of the member, 100 percent of the monthly amount that*

1 *was payable to the member shall be paid monthly to the surviving*  
2 *annuity beneficiary of the member.*

3 *(3) Seventy-five percent beneficiary annuity. This is a joint and*  
4 *survivor annuity that is the actuarial equivalent of the lump-sum*  
5 *payment modified to be payable over the combined lives of the*  
6 *member and the member's annuity beneficiary. Pursuant to*  
7 *Section 401(a)(9) of the Internal Revenue Code, unless the option*  
8 *beneficiary is the member's spouse or former spouse who has*  
9 *been awarded a community property interest in the member's*  
10 *benefits under this part, the member may not designate an option*  
11 *beneficiary under this option who is more than 19 years of age*  
12 *younger than the member. Upon the death of the member, 75*  
13 *percent of the monthly amount that was payable to the member*  
14 *shall be paid monthly to the surviving annuity beneficiary of the*  
15 *member.*

16 *(4) Fifty percent beneficiary annuity. This is a joint and*  
17 *survivor annuity that is the actuarial equivalent of the lump-sum*  
18 *payment modified to be payable over the combined lives of the*  
19 *member and the member's annuity beneficiary. Upon the death*  
20 *of the member, 50 percent of the monthly amount that was*  
21 *payable to the member shall be paid monthly to the surviving*  
22 *annuity beneficiary of the member.*

23 *(5) Compound annuity. This is a joint and survivor annuity*  
24 *that is the actuarial equivalent of the lump-sum payment*  
25 *modified to be payable over the combined lives of the member*  
26 *and any annuity beneficiary pursuant to Section 25015. The*  
27 *member's benefit will be distributed to each annuity beneficiary*  
28 *pursuant to paragraphs (1) to (4), inclusive, of this subdivision*  
29 *for the designated portion as described in Section 24300,*  
30 *24300.1, or 24301.*

31 *(A) The member's election of the compound annuity is subject*  
32 *to all of the following:*

33 *(i) Pursuant to Section 401(a)(9) of the Internal Revenue*  
34 *Code, if the member elects the 100 percent beneficiary annuity*  
35 *through his or her compound annuity election, and unless the*  
36 *annuity beneficiary is the member's spouse or former spouse who*  
37 *has been awarded a community property interest in the member's*  
38 *benefits under this part, the member may not designate an*  
39 *annuity beneficiary under this annuity who is more than 10 or*  
40 *more years of age younger than the member.*

(ii) Pursuant to Section 401(a)(9) of the Internal Revenue Code, if the member elects the 75 percent beneficiary annuity through his or her compound annuity election, and unless the annuity beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an annuity beneficiary under this annuity who is more than 19 years of age younger than the member.

(6) A period certain annuity. This form of payment is an annuity equal to the actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable. The annuity shall be payable in whole year increments over a period of years specified by the member, from a minimum of three years to a maximum of 10 years. However, the annuity period may not exceed the life expectancy of the member, or the life expectancy of the member and the member's annuity beneficiary. If the member's death occurs prior to the end of the period certain, the remaining balance of payments shall be paid to the member's annuity beneficiary pursuant to Section 25022.

(b) If an annuity beneficiary designated pursuant to paragraph (2), (3), (4), or (5) of subdivision (a) predeceases the member, that portion of the annuity payable to the annuity beneficiary shall be paid to the member as a single life annuity with a cash refund feature that would have been payable had the member selected that form of payment at the commencement of the benefit. That single life annuity shall be payable as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death. If the annuity beneficiary predeceases the member, the member may designate a new annuity beneficiary for the portion that was payable to the prior annuity beneficiary. The effective date of the new designation shall be six months following the date notification is received by the board, provided both the member and the new designated annuity beneficiary are then living. Notice to the board of the death of the annuity beneficiary shall be on a properly executed form provided by the system. The designation of the new annuity beneficiary under this paragraph is subject to an actuarial modification and may not result in any additional liability to the fund.



1     (c) *If a nonmember spouse elects to receive the retirement*  
2 *benefit as an annuity, the nonmember spouse shall elect the form*  
3 *of payment specified in paragraph (1) or (6) of subdivision (a)*  
4 *and, in those paragraphs, references to a “member” shall apply*  
5 *to the nonmember spouse.*

6     (d) *Notwithstanding Sections 297 or 299.2 of the Family Code,*  
7 *a spouse as described in paragraph (3) or (5) of subdivision (a)*  
8 *does not include the domestic partner of the member, pursuant to*  
9 *Section 7 of Title 1 of the United States Code.*

10    (e) *If there is a determination of community property rights as*  
11 *described in Chapter 12 (commencing with Section 22650) of this*  
12 *part on or before December 31, 2006, the member may elect the*  
13 *annuity that is required by the judgment or court order. Nothing*  
14 *in this section shall permit the member to change the annuity to*  
15 *the detriment of the community property interest of the*  
16 *nonmember spouse.*

17    SEC. 53. *Section 25011.5 is added to the Education Code, to*  
18 *read:*

19    25011.5. (a) *A member who retired and elected an annuity*  
20 *pursuant to Section 25011 may elect to change options, subject to*  
21 *all of the following:*

22       (1) *A member who elected a single life annuity with or without*  
23 *a cash refund feature or elects a period certain annuity may not*  
24 *change his or her annuity.*

25       (2) *A member who elected an annuity under paragraph (3) or*  
26 *(4) of subdivision (a) of Section 25011 may elect an annuity*  
27 *under paragraph (3) of subdivision (a) of Section 25011.1.*

28       (3) *The election of the member under this section is made on*  
29 *or after January 1, 2007, and prior to July 1, 2007.*

30       (4) *The member designates the same beneficiary that was*  
31 *designated under the prior annuity election of the member.*

32       (5) *The annuity beneficiary is not afflicted with a known*  
33 *terminal illness and the member declares, under penalty of*  
34 *perjury under the laws of this state, that to the best of his or her*  
35 *knowledge, the annuity beneficiary is not afflicted with a known*  
36 *terminal illness.*

37       (6) *The annuity beneficiary has not predeceased the member*  
38 *as of the effective date of the change in the annuity of the*  
39 *member.*

1     (b) *The change in the annuity of the member shall be effective*  
2     *on the date the election is signed, provided that the election is on*  
3     *a properly executed form provided by the system and that*  
4     *election is received at the system's headquarters office as*  
5     *described in Section 22375 within 30 days after the date the*  
6     *election is signed.*

7     (c) *If the member elects to change his or her annuity as*  
8     *described in subdivision (a), the annuity of the member shall be*  
9     *modified in a manner determined by the board to prevent any*  
10    *additional liability to the plan.*

11    (d) *References to a "member" in paragraph (1) of subdivision*  
12    *(a) shall apply to the nonmember spouse.*

13    SEC. 54. *Section 25012 of the Education Code is amended to*  
14    *read:*

15    25012. (a) An annuity payable under the Defined Benefit  
16    Supplement Program shall be determined as a value actuarially  
17    equivalent to the balance of credits in the member's Defined  
18    Benefit Supplement account on the date the benefit becomes  
19    payable and after any lump-sum payment. If a single life annuity  
20    is elected, the annuity shall be calculated using the age of the  
21    member on the date the benefit becomes payable. A member may  
22    elect a single life annuity only if the member did not elect to  
23    receive a modified allowance pursuant to Section 24300 *or*  
24    24300.1. If a joint and survivor annuity is elected, the annuity  
25    shall be calculated using the age of the member and the age of  
26    the member's beneficiary on the date the benefit becomes  
27    payable. A member may elect a joint and survivor annuity only if  
28    the member elected to receive a modified allowance pursuant to  
29    Section 24300 *or* 24300.1.

30    (b) The beneficiary designation made pursuant to Section  
31    24307 is not applicable to benefits payable under this chapter.

32    ~~SEC. 5.~~

33    SEC. 55. *Section 25015 of the Education Code is amended to*  
34    *read:*

35    25015. (a) If a member elects to receive a benefit payable  
36    under the Defined Benefit Supplement Program as a joint and  
37    survivor annuity, the designation of the beneficiary made  
38    pursuant to Section 24300, 24300.1, or 24301 shall apply to the  
39    benefit payable under this chapter. The annuity beneficiary  
40    designation shall not be changed after the date the benefit

1 becomes payable to the member, except as provided in Section  
2 25011 , 24305.3, or 25018, or Chapter 12 (commencing with  
3 Section 22650).

4 (b) If the member designates multiple annuity beneficiaries ~~in~~  
5 ~~the designation of beneficiary made~~ pursuant to Section 24300,  
6 24300.1, or 24301, the percentage of the annuity payable to each  
7 annuity beneficiary upon the death of the member specified in  
8 that designation shall apply to the benefit payable under this  
9 chapter. The annuity amount payable to the member during his or  
10 her lifetime shall be modified to be payable over the combined  
11 lives of the member and the annuity beneficiary or beneficiaries.

12 (c) If the member predeceases an annuity beneficiary, the  
13 annuity beneficiary may designate, *on a properly executed form*  
14 *provided by the system*, a payee to receive an amount that may be  
15 payable in a lump-sum pursuant to Section 25023 upon the death  
16 of the annuity beneficiary.

17 *SEC. 56. Section 25016 of the Education Code is amended to*  
18 *read:*

19 25016. (a) A member's disability benefit under the Defined  
20 Benefit Supplement Program shall be an amount equal to the  
21 balance of credits in the member's Defined Benefit Supplement  
22 account on the date the disability benefit becomes payable.

23 (b) A disability benefit shall be a lump-sum payment, or an  
24 annuity payable in monthly installments, or a combination of  
25 both a lump-sum payment and an annuity, as elected by the  
26 member on the application for a disability benefit. Any  
27 retirement benefit paid as an annuity under this chapter shall be  
28 subject to Section 25018 *or 25018.1*.

29 (c) Upon distribution of the entire disability benefit in a  
30 lump-sum payment, no other benefit shall be payable to the  
31 member or the member's beneficiary under the Defined Benefit  
32 Supplement Program.

33 *SEC. 57. Section 25018 of the Education Code is amended to*  
34 *read:*

35 25018. (a) A member may elect to receive the disability  
36 benefit as an annuity, payable in monthly installments, provided  
37 the balance of credits in the member's Defined Benefit  
38 Supplement account on the date the disability benefit becomes  
39 payable equals at least three thousand five hundred dollars

1 (\$3,500) after any lump-sum payment has been made from this  
2 account.

3 (b) If the member elects to receive the disability benefit as an  
4 annuity, the member shall elect one of the following forms of  
5 payment:

6 (1) A single life annuity without a cash refund feature. This  
7 form of payment is the actuarial equivalent of the amount that  
8 would be payable to the member if the member elected to receive  
9 the disability benefit in a lump-sum payment. Upon the death of  
10 the member, no other benefit shall be payable to the member's  
11 beneficiary under the Defined Benefit Supplement Program.

12 (2) A single life annuity with a cash refund feature. This form  
13 of payment is the actuarial equivalent of the amount that would  
14 be payable to the member if the member elected to receive the  
15 disability benefit in a lump-sum payment. Upon the death of the  
16 member, an amount equal to the remaining balance of credits, if  
17 any, transferred from the member's Defined Benefit Supplement  
18 account to the Annuitant Reserve shall be returned in a lump-sum  
19 payment to the member's beneficiary.

20 (3) For a member receiving an allowance pursuant to Chapter  
21 26 (commencing with Section 24100), a 100-percent joint and  
22 survivor annuity with a "pop-up" feature. This form of payment  
23 is the actuarial equivalent of the lump-sum payment modified to  
24 be payable over the combined lives of the member and the  
25 member's annuity beneficiary. Upon the death of the member,  
26 the same monthly amount that was payable to the member shall  
27 be paid monthly to the member's surviving annuity beneficiary.  
28 However, if the annuity beneficiary predeceases the member, the  
29 annuity payable to the member shall be the single life annuity  
30 with a cash refund feature that would have been payable had the  
31 member selected that form of payment at the commencement of  
32 the benefit. That single life annuity shall be payable as of the day  
33 following the date of the annuity beneficiary's death upon receipt  
34 by the system of proof of the annuity beneficiary's death. If the  
35 annuity beneficiary predeceases the member, the member may  
36 designate a new annuity beneficiary. The effective date of the  
37 new designation shall be six months following the date  
38 notification, on a properly executed form, is received by the  
39 board, provided both the member and the new designated annuity  
40 beneficiary are then living. The selection of the new annuity

beneficiary under this paragraph shall be subject to an actuarial modification of the single life annuity with a cash refund feature: ~~A member may not designate a new annuity beneficiary if that designation would~~ *and shall not* result in any additional liability to the fund. *The new annuity beneficiary shall not be an existing annuity beneficiary.*

(4) For a member receiving an allowance pursuant to Chapter 26 (commencing with Section 24100), a 50-percent joint and survivor annuity with a “pop-up” feature. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member’s annuity beneficiary. Upon the death of the member, one-half of the monthly amount that was payable to the member shall be paid monthly to the member’s surviving annuity beneficiary. However, if the annuity beneficiary predeceases the member, the annuity payable to the member shall be the single life annuity with a cash refund feature that would have been payable had the member selected that form of payment at the commencement of the benefit. That single life annuity shall be payable as of the day following the date of the annuity beneficiary’s death upon receipt by the system of proof of the annuity beneficiary’s death. If the annuity beneficiary predeceases the member, the member may designate a new annuity beneficiary. The effective date of the new designation shall be six months following the date notification, on a properly executed form, is received by the board, provided both the member and the new designated annuity beneficiary are then living. The selection of the new annuity beneficiary under this paragraph shall be subject to an actuarial modification of the single life annuity with a cash refund feature. ~~A member may not designate a new annuity beneficiary if that designation would~~ *and shall not* result in any additional liability to the fund. *The new annuity beneficiary shall not be an existing annuity beneficiary.*

(5) A period certain annuity. This form of payment is an annuity equal to the actuarial equivalent of the balance of credits in the member’s Defined Benefit Supplement account on the date the disability benefit becomes payable. The annuity shall be payable in whole year increments over a period of years specified by the member, from a minimum of three years to a maximum of

1 10 years. However, the annuity period may not exceed the life  
2 expectancy of the member, or the life expectancy of the member  
3 and the member's annuity beneficiary. If the member's death  
4 occurs prior to the end of the period certain, the remaining  
5 balance of payments shall be paid to the member's annuity  
6 beneficiary pursuant to Section 25022.

7 *(c) Except as described in subdivision (e) of Section 25018.1,*  
8 *on or after January 1, 2007, a member may not make a new*  
9 *election for an annuity described in subdivision (b).*

10 SEC. 58. *Section 25018.1 is added to the Education Code, to*  
11 *read:*

12 25018.1. *(a) A member may elect to receive the disability*  
13 *benefit as an annuity, payable in monthly installments, provided*  
14 *the balance of credits in the member's Defined Benefit*  
15 *Supplement account on the date the disability benefit becomes*  
16 *payable equals at least three thousand five hundred dollars*  
17 *(\$3,500) after any lump-sum payment has been made from this*  
18 *account. If the member elects to receive the disability benefit as*  
19 *an annuity, the member shall elect one of the following forms of*  
20 *payment:*

21 *(1) Member only annuity. This is a single life annuity with a*  
22 *cash refund feature that is the actuarial equivalent of the amount*  
23 *that would be payable to the member if the member elected to*  
24 *receive the disability benefit in a lump-sum payment. Upon the*  
25 *death of the member, an amount equal to the remaining balance*  
26 *of credits transferred from the member's Defined Benefit*  
27 *Supplement account to the annuitant reserve shall be returned in*  
28 *a lump-sum payment to the member's beneficiary.*

29 *(2) One hundred percent beneficiary annuity. This form of*  
30 *payment is the actuarial equivalent of the lump-sum payment*  
31 *modified to be payable over the combined lives of the member*  
32 *and the member's annuity beneficiary. Upon the death of the*  
33 *member, 100 percent of the monthly amount that was payable to*  
34 *the member shall be paid monthly to the member's surviving*  
35 *annuity beneficiary.*

36 *(3) Seventy-five percent beneficiary annuity. This form of*  
37 *payment is the actuarial equivalent of the lump-sum payment*  
38 *modified to be payable over the combined lives of the member*  
39 *and the member's annuity beneficiary. Pursuant to Section*  
40 *401(a)(9) of the Internal Revenue Code, unless the annuity*

beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an annuity beneficiary under this option who is more than 19 years of age younger than the member. Upon the death of the member, 75 percent of the monthly amount that was payable to the member shall be paid monthly to the surviving annuity beneficiary of the member.

(4) Fifty percent beneficiary annuity. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Upon the death of the member, one-half of the monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary.

(5) Compound annuity. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and any annuity beneficiary pursuant to Section 25015. The member's Defined Benefit Supplement benefit will be distributed to each annuity beneficiary pursuant to paragraphs (1) to (4), inclusive, of this subdivision for the designated portion as described in Section 24300, 24300.1, or 24301.

(A) The member's election of the compound annuity is subject to all of the following:

(i) Pursuant to Section 401(a)(9) of the Internal Revenue Code, if the member elects the 100 percent beneficiary annuity through his or her compound annuity election, and unless the annuity beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an annuity beneficiary under this annuity who is 10 or more years of age younger than the member.

(ii) Pursuant to Section 401(a)(9) of the Internal Revenue Code, if the member elects the 75 percent beneficiary annuity through his or her compound annuity election, and unless the annuity beneficiary is the member's spouse or former spouse who has been awarded a community property interest in the member's benefits under this part, the member may not designate an annuity beneficiary under this annuity who is more than 19 years of age younger than the member.

1     (6) A period certain annuity. This form of payment is an  
2     annuity equal to the actuarial equivalent of the balance of credits  
3     in the member's Defined Benefit Supplement account on the date  
4     the disability benefit becomes payable. The annuity shall be  
5     payable in whole year increments over a period of years  
6     specified by the member, from a minimum of three years to a  
7     maximum of 10 years. However, the annuity period may not  
8     exceed the life expectancy of the member, or the life expectancy  
9     of the member and the member's annuity beneficiary. If the  
10    member's death occurs prior to the end of the period certain, the  
11    remaining balance of payments shall be paid to the member's  
12    annuity beneficiary pursuant to Section 25022.

13    (b) If an annuity beneficiary designated pursuant to paragraph  
14    (2), (3), or (4) of subdivision (a) predeceases the member, the  
15    annuity payable to the member shall be the single life annuity  
16    with a cash refund feature that would have been payable had the  
17    member elected that form of payment at the commencement of  
18    the benefit. That single life annuity shall be payable as of the day  
19    following the date of the annuity beneficiary's death upon receipt  
20    by the system of proof of the annuity beneficiary's death. If the  
21    annuity beneficiary predeceases the member, the member may  
22    designate a new annuity beneficiary. The effective date of the  
23    new designation shall be six months following the date  
24    notification is received by the board, provided both the member  
25    and the new designated annuity beneficiary are then living.  
26    Notice to the board of the death of the annuity beneficiary shall  
27    be on a properly executed form provided by the system. The  
28    designation of the new annuity beneficiary under this paragraph  
29    is subject to an actuarial modification and may not result in any  
30    additional liability to the fund. The new annuity beneficiary may  
31    not be an existing annuity beneficiary.

32    (c) If a nonmember spouse elects to receive the retirement  
33    benefit as an annuity, the nonmember spouse shall elect the form  
34    of payment specified in paragraph (1) or (6) of subdivision (a)  
35    and, in those paragraphs, references to a "member" shall apply  
36    to the nonmember spouse.

37    (d) Notwithstanding Sections 297 or 299.2 of the Family Code,  
38    a spouse as described in paragraph (3) or (5) of subdivision (a)  
39    does not include the domestic partner of the member, pursuant to  
40    Section 7 of Title 1 of the United States Code.



1     (e) If there is a determination of community property rights as  
2     described in Chapter 12 (commencing with Section 22650) of this  
3     part on or before December 31, 2006, the member may elect the  
4     annuity that is required by the judgment or court order. Nothing  
5     in this section shall permit the member to change the annuity to  
6     the detriment of the community property interest of the  
7     nonmember spouse.

8     SEC. 59. Section 25018.2 is added to the Education Code, to  
9     read:

10    25018.2. (a) A member who is disabled and elected an  
11    annuity pursuant to Section 25018 may elect to change annuities,  
12    subject to all of the following:

13    (1) A member who elected a single life annuity with or without  
14    a cash refund feature or elects a period certain annuity may not  
15    change his or her annuity.

16    (2) A member who elected an annuity under paragraph (3) or  
17    (4) of subdivision (b) of Section 25018 may elect an annuity  
18    under paragraph (3) of subdivision (a) of Section 25018.1.

19    (3) The election of the member under this section is made on  
20    or after January 1, 2007, and prior to July 1, 2007.

21    (4) The member designates the same annuity beneficiary that  
22    was designated under the prior annuity election of the member.

23    (5) The annuity beneficiary is not afflicted with a known  
24    terminal illness and the member declares, under penalty of  
25    perjury under the laws of this state, that to the best of his or her  
26    knowledge, the annuity beneficiary is not afflicted with a known  
27    terminal illness.

28    (6) The annuity beneficiary has not predeceased the member  
29    as of the effective date of the change in the annuity of the  
30    member.

31    (b) The change in the annuity of the member shall be effective  
32    on the date the election is signed, provided that the election is on  
33    a properly executed form provided by the system and that  
34    election is received at the system's headquarters office as  
35    described in Section 22375 within 30 days after the date the  
36    election is signed.

37    (c) If the member elects to change his or her annuity as  
38    described in subdivision (a), the annuity of the member shall be  
39    modified in a manner determined by the board to prevent any  
40    additional liability to the plan.

1 (d) References to a “member” in paragraph (1) of subdivision  
2 (a) shall apply to the nonmember spouse.

3 SEC. 60. Section 25021 of the Education Code is amended to  
4 read:

5 25021. (a) A beneficiary, other than an entity, may elect to  
6 receive the final benefit payable under the Defined Benefit  
7 Supplement Program as an annuity payable in monthly  
8 installments provided the balance of credits in the member’s  
9 Defined Benefit Supplement account that is payable to that  
10 beneficiary equals at least three thousand five hundred dollars  
11 (\$3,500).

12 (b) A beneficiary who elects to receive an annuity *under this*  
13 *section* shall elect ~~one of the following forms of payment:~~

14 ~~(1) A single life annuity without a cash refund feature. This~~  
15 ~~form of payment is the actuarial equivalent of the amount that~~  
16 ~~would be payable to the beneficiary if the beneficiary elected to~~  
17 ~~receive the final benefit in a lump-sum payment. The annuity~~  
18 ~~shall cease to be payable upon the death of the beneficiary, and~~  
19 ~~no other benefit is payable under the Defined Benefit Supplement~~  
20 ~~Program on account of the death of the member or the member’s~~  
21 ~~beneficiary.~~

22 ~~(2) A~~ a period certain annuity. This form of payment is an  
23 annuity equal to the actuarial equivalent of the balance of credits  
24 in the member’s Defined Benefit Supplement account on the date  
25 of the member’s death. The annuity shall be payable in whole  
26 year increments over a period of years specified by the  
27 beneficiary, from a minimum of three years to a maximum of 10  
28 years, but not to exceed the life expectancy of the beneficiary.  
29 The beneficiary may designate a payee to receive the remaining  
30 balance of payments if the beneficiary’s death occurs prior to the  
31 end of the period certain.

32 (c) A beneficiary may designate a payee who would, upon the  
33 death of the beneficiary, be entitled to receive the beneficiary’s  
34 accrued annuity allowance.

35 SEC. 61. Section 25024 of the Education Code is amended to  
36 read:

37 25024. (a) Upon the termination of all employment to  
38 perform creditable service subject to coverage under the plan for  
39 a reason other than retirement, disability, or death, a member  
40 shall be eligible for a termination benefit under the Defined

Benefit Supplement Program. The member's employer, or employers if the member has multiple employers, shall certify on a form prescribed by the system that the member's employment has been terminated, *unless the member's termination of employment occurred 12 consecutive months or more prior to the date the member signed the application for a Defined Benefit Supplement termination benefit.*

(b) A member shall submit an application for a termination benefit on a form prescribed by the system. If a member submits an application for a refund of contributions under the Defined Benefit Program, pursuant to Section 23103, that application shall also be deemed an application for a termination benefit. If a member cancels the application for a refund of contributions under the Defined Benefit Program, the application for the termination benefit shall also be deemed to have been cancelled.

(c) The termination benefit shall be a lump-sum payment that is equal to the balance of credits in the member's Defined Benefit Supplement account.

(d) Upon distribution of the termination benefit, no further benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

(e) A partial distribution of the balance of credits in a member's Defined Benefit Supplement account shall not be made, except as provided in Section 25009, 25015, 25016, or 25022.

~~SEC. 6.~~

*SEC. 62.* Section 26000.5 of the Education Code is amended to read:

26000.5. (a) An employer whose governing board has elected to provide the benefits of this part for its employees pursuant to Section 26000 shall enter into an agreement with the State Teachers' Retirement System. The agreement shall specify the terms and conditions of the employer's formal action to provide the Cash Balance Benefit Program and shall remain in effect unless or until the employer exercises the right to discontinue the program pursuant to Chapter 17 (commencing with Section 28100).

*SEC. 63.* Section 26002.5 of the Education Code is amended to read:

1 26002.5. Except as excluded in Sections 26004 and 27406 or  
2 *subdivision (d) of Section 26807.5*, a person who is the registered  
3 domestic partner of a member, as established pursuant to Section  
4 297 or 299.2 of the Family Code, shall be treated in the same  
5 manner as a “spouse,” as defined in Section 26140.

6 ~~SEC. 7.~~

7 *SEC. 64.* Section 26113 of the Education Code is amended to  
8 read:

9 26113. (a) “Creditable service” means any of the following  
10 activities performed for an employer in a position requiring a  
11 credential, certificate, or permit pursuant to this code or under the  
12 appropriate minimum standards adopted by the Board of  
13 Governors of the California Community Colleges or under the  
14 provisions of an approved charter for the operation of a charter  
15 school for which the employer is eligible to receive state  
16 apportionment or pursuant to a contract between a community  
17 college district and the United States Department of Defense to  
18 provide vocational training:

19 (1) The work of teachers, instructors, district interns and  
20 academic employees employed in the instructional program for  
21 pupils, including special programs such as adult education,  
22 regional occupational programs, child care centers, and  
23 prekindergarten programs pursuant to Section 22161.

24 (2) Education or vocational counseling, guidance, and  
25 placement services.

26 (3) The work of directors, coordinators, and assistant  
27 administrators who plan courses of study to be used in California  
28 public schools, or research connected with the evaluation or  
29 efficiency of the instructional program.

30 (4) The selection, collection, preparation, classification,  
31 demonstration, or evaluation of instructional materials of any  
32 course of study for use in the development of the instructional  
33 program in California public schools, or other services related to  
34 school curriculum.

35 (5) The examination, selection, in-service training, or  
36 assignment of teachers, principals or other similar personnel  
37 involved in the instructional program.

38 (6) School activities related to, and an outgrowth of, the  
39 instructional and guidance program of the school when  
40 performed in addition to other activities described in this section.

1 (7) The work of nurses, physicians, speech therapists,  
2 psychologists, audiometrists, audiologists, and other school  
3 health professionals.

4 (8) Services as a school librarian.

5 (9) The work of county and district superintendents and other  
6 employees who are responsible for the supervision of persons or  
7 administration of the duties described in this section.

8 (10) Trustee service as described in Section 26403.

9 (b) “Creditable service” also means the work of  
10 superintendents of California public schools.

11 (c) The board shall have final authority for determining  
12 creditable service to cover activities not already specified.

13 *SEC. 65. Section 26116 of the Education Code is amended to*  
14 *read:*

15 26116. “Disability benefit” means an amount payable under  
16 this part for permanent and total disability that is equal to the  
17 sum of the participant’s employee account and employer account  
18 as of the disability date and is payable pursuant to ~~either~~ Section  
19 26905 ~~or~~, 26906, or 26906.5.

20 *SEC. 66. Section 26137 of the Education Code is amended to*  
21 *read:*

22 26137. “Retirement benefit” means an amount payable under  
23 this part in the event of the participant’s retirement for service  
24 that is equal to the sum of the participant’s employee account and  
25 employer account as of the retirement date and that is payable  
26 pursuant to ~~either~~ Section 26806 ~~or~~, 26807, or 26807.5.

27 *SEC. 67. Section 26214 of the Education Code is amended to*  
28 *read:*

29 26214. The board shall issue, after the end of the plan year, to  
30 each participant having a balance in his or her employee account  
31 or employer account, a statement setting forth the balance as of  
32 the close of the plan year and amounts credited for the year,  
33 *provided that the employer or participant has informed the*  
34 *system of the participant’s current United States Postal Service*  
35 *mailing address. If the member indicates that he or she prefers to*  
36 *receive that statement through the Web site of the system, the*  
37 *board may, in lieu of mailing, issue the statement by secured*  
38 *access through the Web site of the system.* The board shall  
39 prescribe the form and content of the account statement.

1     *SEC. 68. Section 26301 of the Education Code is amended to*  
2     *read:*

3     26301. (a) Employers shall report, ~~on a form prescribed by~~  
4     ~~the system,~~ contributions paid on behalf of each participant in  
5     each pay period, along with all other information required by the  
6     system no later than 10 working days following the last day of  
7     the pay period in which the salary was earned, and the report  
8     shall be delinquent immediately thereafter. *That report shall be*  
9     *submitted electronically in an encrypted format provided by the*  
10    *system that ensures the security of the transmitted member data.*

11    (b) The board may assess a penalty against the employer for a  
12    report submitted late or in an unacceptable form.

13    ~~SEC. 8.~~

14    *SEC. 69. Section 26400 of the Education Code is amended to*  
15    *read:*

16    26400. (a) A person employed on a part-time basis by a  
17    school district or county office of education to perform creditable  
18    service for less than 50 percent of each full-time position shall  
19    become a participant on the later of the first day that creditable  
20    service is performed for an employer that provides the Cash  
21    Balance Benefit Program or the effective date of the employer's  
22    governing board's action to provide the Cash Balance Benefit  
23    Program, provided that creditable service is not performed for the  
24    same employer with whom the person is subject to mandatory  
25    membership in the Defined Benefit Program.

26    (b) A person employed on a temporary basis by a community  
27    college district, who is not subject to mandatory membership in  
28    the Defined Benefit Program pursuant to Section 22502 or 22504  
29    for each position with the same employer, shall become a  
30    participant on the later of the first day that creditable service is  
31    performed for an employer that provides the Cash Balance  
32    Benefit Program or the effective date of the employer's  
33    governing board's action to provide the Cash Balance Benefit  
34    Program.

35    (c) If the employer's governing board's action to provide the  
36    Cash Balance Benefit Program gives employees the right to elect  
37    coverage under social security or an alternative retirement plan  
38    offered by the employer in addition to the Cash Balance Benefit  
39    Program, the employee may elect within 60 calendar days of the  
40    latest of the first day that creditable service is performed, the date

1 of the employer's governing board's action to provide the Cash  
2 Balance Benefit Program, or the effective date of the employer's  
3 governing board's action to provide the Cash Balance Benefit  
4 Program to be covered by social security or to participate in the  
5 alternative retirement plan in lieu of participating in the Cash  
6 Balance Benefit Program. An election may not preclude an  
7 employee from participating in the Cash Balance Benefit  
8 Program at a later date so long as the Cash Balance Benefit  
9 Program is provided by the employer and the employee is  
10 eligible to participate in the Cash Balance Benefit Program.

11 (d) If subdivision (c) is applicable, the employer shall inform  
12 employees pursuant to subdivision (c) of Section 26300 of their  
13 right to make an election and the election shall be made on a  
14 *properly executed* form—~~prescribed~~ *provided* by the system and  
15 filed with the employer. The employer shall retain a copy of the  
16 employee's signed election form and mail the original election  
17 form to the headquarters office of the system as described in  
18 Section 22375. The election shall become effective on the later of  
19 the first day that creditable service is performed or the effective  
20 date of the employer's governing board's action to provide the  
21 Cash Balance Benefit Program.

22 (e) If the participant's basis of employment with a school  
23 district or county office of education that provides the Cash  
24 Balance Benefit Program changes to employment to perform  
25 creditable service for 50 percent or more of the full-time position  
26 during one school year with the same employer, creditable  
27 service performed for that employer shall no longer be covered  
28 under the Cash Balance Benefit Program. Creditable service  
29 performed for that employer shall be subject to coverage by the  
30 Defined Benefit Program as of the first day of the pay period  
31 following the change in the participant's basis of employment.

32 (f) If the participant's basis of employment with a community  
33 college district changes to employment that is subject to  
34 mandatory membership in the Defined Benefit Program pursuant  
35 to Section 22501, 22502, or 22504 during one school year with  
36 the same employer, creditable service performed for that  
37 employer shall no longer be covered under the Cash Balance  
38 Benefit Program. Creditable service performed for that employer  
39 shall be subject to coverage by the Defined Benefit Program as of

1 the first day of the pay period following the change in the  
2 participant's basis of employment.

3 (g) *If the governing board of an employer subsequently*  
4 *provides, in addition to the Cash Balance Benefit Program,*  
5 *social security coverage, a participant covered by the Cash*  
6 *Balance Benefit Program who is performing creditable service*  
7 *for that employer may elect to be covered by social security in*  
8 *lieu of the Cash Balance Benefit Program. That participant's*  
9 *election shall be made within 60 calendar days of the date the*  
10 *governing board acted to provide coverage under social security*  
11 *or the effective date of the governing board's action to provide*  
12 *social security coverage, whichever is later. An election under*  
13 *this subdivision may not preclude an employee from*  
14 *participating in the Cash Balance Benefit Program at a later*  
15 *date if the employee is eligible to participate in the Cash Balance*  
16 *Benefit Program.*

17 (h) *If the governing board of an employer provided social*  
18 *security coverage with an effective date prior to January 1, 2007,*  
19 *and the employer offered the Cash Balance Benefit Program as*  
20 *of the effective date of the governing board's action to provide*  
21 *social security coverage, a participant who was performing*  
22 *creditable service for that employer may elect to be covered by*  
23 *social security in lieu of the Cash Balance Benefit Program. The*  
24 *participant's election shall be made on or after March 1, 2008,*  
25 *and on or before May 1, 2008. The election to participate in*  
26 *social security shall be effective on July 1, 2008. An election*  
27 *under this subdivision may not preclude an employee from*  
28 *participating in the Cash Balance Benefit Program at a later*  
29 *date if the employee is eligible to participate in the Cash Balance*  
30 *Benefit Program.*

31 (i) *An election by an employee to terminate his or her*  
32 *participation in the Cash Balance Benefit Program as described*  
33 *in subdivision (g) or (h) shall be made on a properly executed*  
34 *form provided by the system and filed with the employer. The*  
35 *employer shall retain a copy of the employee's signed election*  
36 *form and mail the original election form to the headquarters*  
37 *office of the system, as described in Section 22375.*

38 ~~SEC. 9.~~

39 SEC. 70. Section 26401 of the Education Code is amended to  
40 read:



1     26401. (a) A member of the Defined Benefit Program who is  
2 employed to perform creditable service on a part-time basis for  
3 less than 50 percent of each full-time position by a school district  
4 or county office of education that provides the Cash Balance  
5 Benefit Program may elect to become a participant for creditable  
6 service subject to coverage under the Cash Balance Benefit  
7 Program for that employer, provided that the creditable service is  
8 not performed for the same employer with whom the member is  
9 also subject to mandatory membership in the Defined Benefit  
10 Program.

11     (b) A member of the Defined Benefit Program who is  
12 employed pursuant to Section 87474, 87480, 87481, 87482, or  
13 87482.5 by a community college district that provides the Cash  
14 Balance Benefit Program may elect to become a participant for  
15 creditable service subject to coverage under the Cash Balance  
16 Benefit Program for that employer, provided that the creditable  
17 service is not performed for the same employer with whom the  
18 member is also subject to mandatory membership in the Defined  
19 Benefit Program.

20     (c) The election shall be made on a *properly executed* form  
21 ~~prescribed~~ *provided* by the system and shall be filed with the  
22 employer within 60 calendar days of the later of the first day of  
23 employment with an employer that provides the Cash Balance  
24 Benefit Program, the date of the employer's governing board's  
25 action to provide the Cash Balance Benefit Program, or the  
26 effective date of the employer's governing board's action to  
27 provide the Cash Balance Benefit Program. ~~The employer shall~~  
28 ~~retain a copy of the employee's signed election form and mail the~~  
29 ~~original election form to the headquarters office of the system as~~  
30 ~~described in Section 22375.~~ *Program.*

31     (d) Employers shall make available to employees specified in  
32 subdivisions (a) and (b) information and forms provided by the  
33 system for making an election regarding participation, and shall  
34 ~~maintain the written election by the employee in employer files.~~  
35 *participation. The employer shall retain a copy of the employee's*  
36 *signed election form and mail the original signed election form*  
37 *to the headquarters office of the system as described in Section*  
38 *22375. The election shall become effective on the first day of the*  
39 *pay period following the pay period in which the election is*  
40 *made.*

(e) If an election is made pursuant to subdivision (a) and the participant's basis of employment with that employer changes to employment to perform creditable service for 50 percent or more of the full-time position during one school year with the same employer, creditable service performed for that employer shall no longer be covered under the Cash Balance Benefit Program. Creditable service performed for that employer shall be subject to coverage under the Defined Benefit Program as of the first day of the pay period following the change in the participant's basis of employment.

(f) If an election is made pursuant to subdivision (b) and the participant's basis of employment with the community college district changes to employment that is subject to mandatory membership in the Defined Benefit Program pursuant to Section 22501, 22502, or 22504 during one school year with the same employer, creditable service performed for that employer shall no longer be covered under the Cash Balance Benefit Program. Creditable service performed for that employer shall be subject to coverage under the Defined Benefit Program as of the first day of the pay period following the change in the participant's basis of employment.

(g) (1) If an employee was excluded from participation in the Cash Balance Benefit Program pursuant to Section 26401.5, as that section read on December 31, 2000, for the same service, the employee may elect to become a participant for creditable service subject to coverage under the Cash Balance Benefit Program for that employer, provided all of the following conditions are met:

(A) The employment is pursuant to Section 87474, 87480, 87481, 87482, or 87482.5.

(B) The employer offers the Cash Balance Benefit Program.

(C) The creditable service is not also subject to mandatory membership in the Defined Benefit Program.

(2) Employers shall , *on or before May 1, 2007*, make available to employees *described in this subdivision*, information and forms provided by the system for making an election regarding participation and shall maintain the written election by the employee in the employer files. ~~The election shall become participation. The employee shall submit the form to the employer within a 60-day election period designated by the employer. The employer shall retain a copy of the employee's~~

1 *signed election form and mail the original signed election form*  
2 *to the headquarters office of the system as described in Section*  
3 *22375. The election shall become effective on the first day of the*  
4 *pay period following the pay period in which the election is*  
5 *made.*

6 *SEC. 71. Section 26807 of the Education Code is amended to*  
7 *read:*

8 26807. (a) Upon application for a retirement benefit under  
9 this part, the participant may elect to receive the retirement  
10 benefit in the form of an annuity, provided the sum of the  
11 employee account and employer account equals or exceeds three  
12 thousand five hundred dollars (\$3,500).

13 (b) If the participant elects to receive the retirement benefit as  
14 an annuity, the participant shall elect one of the following forms  
15 of payment:

16 (1) A single life annuity without a cash refund feature. This  
17 form of payment is the actuarial equivalent of the amount that  
18 would be payable to the participant if the participant elected to  
19 receive the retirement benefit in a lump-sum payment. This  
20 benefit shall be payable for the life of the participant. Upon the  
21 death of the participant, no other benefit shall be payable to any  
22 beneficiary under this part.

23 (2) A single life annuity with a cash refund feature. This form  
24 of payment is the actuarial equivalent of the amount that would  
25 be payable to the participant if the participant elected to receive  
26 the retirement benefit in a lump-sum payment. This benefit shall  
27 be payable for the life of the participant and any balance  
28 remaining upon the death of the participant shall be payable in a  
29 lump sum to the participant's beneficiary.

30 (3) A 100-percent joint and survivor annuity with a "pop-up"  
31 feature. This form of payment is the actuarial equivalent of the  
32 amount that would be payable to the participant if the participant  
33 elected to receive the retirement benefit in a lump-sum payment,  
34 modified to be payable over the combined lives of the participant  
35 and the participant's annuity beneficiary. Upon the death of the  
36 participant, the monthly amount that was payable to the  
37 participant shall be paid monthly to the participant's annuity  
38 beneficiary. However, if the annuity beneficiary predeceases the  
39 participant, the annuity payable to the participant shall be the  
40 single life annuity with a cash refund feature that would have

1 been payable had the participant selected that form of payment at  
2 the commencement of the benefit. That single life annuity shall  
3 be payable as of the day following the date of the annuity  
4 beneficiary's death upon receipt by the system of proof of the  
5 annuity beneficiary's death. If the annuity beneficiary  
6 predeceases the participant, the participant may designate a new  
7 annuity beneficiary. The effective date of the new designation  
8 shall be six months following the date notification, on a properly  
9 executed form, is received by the board, provided both the  
10 participant and the new designated annuity beneficiary are then  
11 living. The selection of the new annuity beneficiary under this  
12 paragraph shall be subject to an actuarial modification of the  
13 single life annuity with a cash refund feature. ~~A participant may~~  
14 ~~not designate a new annuity beneficiary if that designation would~~  
15 ~~and shall not result in any additional liability to the fund. The~~  
16 ~~new annuity beneficiary shall not be an existing annuity~~  
17 ~~beneficiary.~~

18 (4) A 50-percent joint and survivor annuity with a "pop-up"  
19 feature. This form of payment is the actuarial equivalent of the  
20 amount that would be payable to the participant if the participant  
21 elected to receive the retirement benefit in a lump-sum payment,  
22 modified to be payable over the combined lives of the participant  
23 and the participant's annuity beneficiary. Upon the death of the  
24 participant, one-half of the monthly amount that was payable to  
25 the participant shall be paid monthly to the participant's annuity  
26 beneficiary. However, if the annuity beneficiary predeceases the  
27 participant, the annuity payable to the participant shall be the  
28 single life annuity with a cash refund feature that would have  
29 been payable had the participant selected that form of payment at  
30 the commencement of the benefit. That single life annuity shall  
31 be payable as of the day following the date of the annuity  
32 beneficiary's death upon receipt by the system of proof of the  
33 annuity beneficiary's death. If the annuity beneficiary  
34 predeceases the participant, the participant may designate a new  
35 annuity beneficiary. The effective date of the new designation  
36 shall be six months following the date notification, on a properly  
37 executed form, is received by the board, provided both the  
38 participant and the new designated annuity beneficiary are then  
39 living. The selection of the new annuity beneficiary under this  
40 paragraph shall be subject to an actuarial modification of the

single life annuity with a cash refund feature. ~~A participant may not designate a new annuity beneficiary if that designation would and shall not result in any additional liability to the fund. The new annuity beneficiary shall not be an existing annuity beneficiary.~~

(5) A period certain annuity. This form of payment is an annuity equal to the actuarial equivalent of the sum of the balance of the employee account and the employer account on the date the retirement benefit becomes payable. The annuity shall be payable in whole year increments over a period of years specified by the participant, from a minimum of three years to a maximum of 10 years. However, the annuity period may not exceed the life expectancy of the participant or of the participant and the participant's annuity beneficiary. If the participant's death occurs prior to the end of the period certain, the remaining balance of payments shall be paid to the participant's annuity beneficiary pursuant to Section 27007.

(c) *Except as described in subdivision (e) of Section 26807.5, on or after January 1, 2007, a member may not make a new election for annuity described in subdivision (b).*

SEC. 72. *Section 26807.5 is added to the Education Code, to read:*

26807.5. (a) *Upon application for a retirement benefit under this part, the participant may elect to receive the retirement benefit as an annuity payable in monthly installments, provided the sum of the employee account and employer account equals or exceeds three thousand five hundred dollars (\$3,500). If the participant elects to receive the retirement benefit as an annuity, the participant shall elect one of the following forms of payment:*

(1) *Participant only annuity. This is a single life annuity with a cash refund feature that is the actuarial equivalent of the amount that would be payable to the participant if the participant elected to receive the retirement benefit in a lump-sum payment. Upon the death of the participant, an amount equal to the remaining balance of the participant's contributions and interest shall be paid in a lump-sum to the participant's beneficiary.*

(2) *One hundred percent beneficiary annuity. This is a joint and survivor annuity that is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the participant and the participant's annuity beneficiary.*

1 Upon the death of the participant, 100 percent of the monthly  
2 amount that was payable to the participant shall be paid monthly  
3 to the participant's surviving annuity beneficiary.

4 (3) Seventy-five percent beneficiary annuity. This is a joint and  
5 survivor annuity that is the actuarial equivalent of the lump-sum  
6 payment modified to be payable over the combined lives of the  
7 participant and the participant's annuity beneficiary. Pursuant to  
8 Section 401(a)(9) of the Internal Revenue Code, unless the  
9 annuity beneficiary is the participant's spouse or former spouse  
10 who has been awarded a community property interest in the  
11 participant's benefits under this part, the participant may not  
12 designate an annuity beneficiary under this annuity who is more  
13 than 19 years of age younger than the participant. Upon the  
14 death of the participant, 75 percent of the monthly amount that  
15 was payable to the participant shall be paid monthly to the  
16 participant's surviving annuity beneficiary.

17 (4) Fifty percent beneficiary annuity. This is a joint and  
18 survivor annuity that is the actuarial equivalent of the lump-sum  
19 payment modified to be payable over the combined lives of the  
20 participant and the participant's annuity beneficiary. Upon the  
21 death of the participant, 50 percent of the monthly amount that  
22 was payable to the participant shall be paid monthly to the  
23 participant's surviving annuity beneficiary.

24 (5) A period certain annuity. This is a joint and survivor  
25 annuity that is an annuity equal to the actuarial equivalent of the  
26 balance of credits in the participant's Cash Balance Benefit  
27 account on the date the retirement benefit becomes payable. The  
28 annuity shall be payable in whole year increments over a period  
29 of years specified by the participant, from a minimum of three  
30 years to a maximum of 10 years. However, the annuity period  
31 may not exceed the life expectancy of the participant or of the  
32 participant and the participant's annuity beneficiary. If the  
33 participant's death occurs prior to the end of the period certain,  
34 the remaining balance of payments shall be paid to the  
35 participant's annuity beneficiary pursuant to Section 27007.

36 (b) If an annuity beneficiary designated pursuant to paragraph  
37 (2), (3), or (4) of subdivision (a) predeceases the participant, that  
38 portion of the annuity payable to the annuity beneficiary shall be  
39 paid to the participant as a participant only annuity described in  
40 paragraph (1) of subdivision (a) that would have been payable

1 had the participant elected that form of payment at the  
2 commencement of the benefit. That participant only annuity shall  
3 be payable as of the day following the date of the annuity  
4 beneficiary's death upon receipt by the system of proof of the  
5 annuity beneficiary's death. If the annuity beneficiary  
6 predeceases the participant, the participant may designate a new  
7 annuity beneficiary for the portion that was payable to the prior  
8 annuity beneficiary. The effective date of the new designation  
9 shall be six months following the date notification is received by  
10 the board, provided both the participant and the new designated  
11 annuity beneficiary are then living. Notice to the board of the  
12 death of the annuity beneficiary shall be on a properly executed  
13 form provided by the system. The designation of the new annuity  
14 beneficiary under this paragraph is subject to an actuarial  
15 modification and may not result in any additional liability to the  
16 fund. The new annuity beneficiary may not be an existing annuity  
17 beneficiary.

18 (c) If a nonparticipant spouse elects to receive the retirement  
19 benefit as an annuity, the nonparticipant spouse shall elect the  
20 form of payment specified in paragraph (1) or (5) of subdivision  
21 (a) and, in those paragraphs, references to a "participant" shall  
22 apply to the nonparticipant spouse.

23 (d) Notwithstanding Sections 297 or 299.2 of the Family Code,  
24 a spouse as described in paragraph (3) or (5) of subdivision (a)  
25 does not include the domestic partner of the member, pursuant to  
26 Section 7 of Title 1 of the United States Code.

27 (e) If there is a determination of community property rights as  
28 described in Chapter 15 (commencing with Section 27400) of this  
29 part on or before December 31, 2006, the participant may elect  
30 the annuity that is required by the judgment or court order.  
31 Nothing in this section shall permit the participant to change the  
32 annuity to the detriment of the community property interest of the  
33 nonmember spouse.

34 SEC. 73. Section 26807.6 is added to the Education Code, to  
35 read:

36 26807.6. (a) A participant who retired and elected an  
37 annuity pursuant to Section 26807 may elect to change annuities,  
38 subject to all of the following:

1     (1) A participant who elected a single life annuity with or  
2     without a cash refund feature or a period certain annuity may not  
3     change his or her annuity.

4     (2) A participant who elected an annuity under paragraph (3)  
5     or (4) of subdivision (b) of Section 26807 may elect an annuity  
6     under paragraph (3) of subdivision (a) of Section 26807.5.

7     (3) The election of the participant under this section is made  
8     on or after January 1, 2007, and prior to July 1, 2007.

9     (4) The participant designates the same annuity beneficiary  
10    that was designated under the prior annuity election of the  
11    participant.

12    (5) The annuity beneficiary is not afflicted with a known  
13    terminal illness and the participant declares, under penalty of  
14    perjury under the laws of this state, that to the best of his or her  
15    knowledge, the annuity beneficiary is not afflicted with a known  
16    terminal illness.

17    (6) The annuity beneficiary has not predeceased the  
18    participant as of the effective date of the change in the annuity of  
19    the participant.

20    (b) The change in the annuity of the participant shall be  
21    effective on the date the election is signed, provided that the  
22    election is on a properly executed form provided by the system  
23    and that election is received at the system's headquarters office  
24    as described in Section 22375 within 30 days after the date the  
25    election is signed.

26    (c) If the participant elects to change his or her annuity as  
27    described in subdivision (a), the annuity of the participant shall  
28    be modified in a manner determined by the board to prevent any  
29    additional liability to the plan.

30    (d) References to a "participant" in paragraph (1) of  
31    subdivision (a) shall apply to the nonmember spouse.

32    SEC. 74. Section 26811 of the Education Code is amended to  
33    read:

34    26811. The beneficiary under the joint and survivor ~~option~~  
35    annuity elected pursuant to paragraph (3) or (4) of subdivision  
36    (b) of Section 26807 or paragraphs (2) to (5), inclusive, of  
37    subdivision (a) of Section 26807.5 shall be the person designated  
38    by the participant on the application for a retirement benefit  
39    under this part, and shall not be changed after the original



1 retirement date unless the beneficiary has predeceased the  
2 participant.

3 *SEC. 75. Section 26906 of the Education Code is amended to*  
4 *read:*

5 26906. (a) Upon application for a disability benefit under  
6 this part, the participant may elect to receive the disability benefit  
7 in the form of an annuity provided the sum of the employee  
8 account and employer account equals or exceeds three thousand  
9 five hundred dollars (\$3,500).

10 (b) If the participant elects to receive the disability benefit as  
11 an annuity, the participant shall elect one of the following forms  
12 of payment:

13 (1) A single life annuity without a cash refund feature. This  
14 form of payment is the actuarial equivalent of the amount that  
15 would be payable to the participant if the participant elected to  
16 receive the disability benefit in a lump-sum payment. This  
17 benefit shall be payable for the life of the participant. Upon the  
18 death of the participant, no other benefit shall be payable to any  
19 beneficiary under this part.

20 (2) A single life annuity with a cash refund feature. This form  
21 of payment is the actuarial equivalent of the amount that would  
22 be payable to the participant if the participant elected to receive  
23 the disability benefit in a lump-sum payment. This benefit shall  
24 be payable for the life of the participant and any balance  
25 remaining upon the death of the participant shall be payable in a  
26 lump sum to the participant's beneficiary.

27 (3) A 100-percent joint and survivor annuity with a "pop-up"  
28 feature. This form of payment is the actuarial equivalent of the  
29 amount that would be payable to the participant if the participant  
30 elected to receive the disability benefit in a lump-sum payment,  
31 modified to be payable over the combined lives of the participant  
32 and the participant's annuity beneficiary. Upon the death of the  
33 participant, the monthly amount that was payable to the  
34 participant shall be paid monthly to the participant's annuity  
35 beneficiary. However, if the annuity beneficiary predeceases the  
36 participant, the annuity payable to the participant shall be the  
37 single life annuity with a cash refund feature that would have  
38 been payable had the participant selected that form of payment at  
39 the commencement of the benefit. That single life annuity shall  
40 be payable as of the day following the date of the annuity

beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death. If the annuity beneficiary predeceases the participant, the participant may designate a new annuity beneficiary. The effective date of the new designation shall be six months following the date notification, on a properly executed form, is received by the board, provided both the participant and the new designated annuity beneficiary are then living. The selection of the new annuity beneficiary under this paragraph shall be subject to an actuarial modification of the single life annuity with a cash refund feature. ~~A participant may not designate a new annuity beneficiary if that designation would~~ *and shall not result in any additional liability to the fund. The new annuity beneficiary shall not be an existing annuity beneficiary.*

(4) A 50-percent joint and survivor annuity with a "pop-up" feature. This form of payment is the actuarial equivalent of the amount that would be payable to the participant if the participant elected to receive the disability benefit in a lump-sum payment, modified to be payable over the combined lives of the participant and the participant's annuity beneficiary. Upon the death of the participant, one-half of the monthly amount that was payable to the participant shall be paid monthly to the participant's annuity beneficiary. However, if the annuity beneficiary predeceases the participant, the annuity payable to the participant shall be the single life annuity with a cash refund feature that would have been payable had the participant selected that form of payment at the commencement of the benefit. That single life annuity shall be payable as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death. If the annuity beneficiary predeceases the participant, the participant may designate a new annuity beneficiary. The effective date of the new designation shall be six months following the date notification, on a properly executed form, is received by the board, provided both the participant and the new designated annuity beneficiary are then living. The selection of the new annuity beneficiary under this paragraph shall be subject to an actuarial modification of the single life annuity with a cash refund feature. ~~A participant may not designate a new annuity beneficiary if that designation would~~ *and shall not result in any additional liability to the fund. The*

1 *new annuity beneficiary shall not be an existing annuity*  
2 *beneficiary.*

3 (5) A period certain annuity. This form of payment is an  
4 annuity equal to the actuarial equivalent of the sum of balance of  
5 the employee account and the employer account on the date the  
6 disability benefit becomes payable. The annuity shall be payable  
7 in whole year increments over a period of years specified by the  
8 participant, from a minimum of three years to a maximum of 10  
9 years. However, the annuity period may not exceed the life  
10 expectancy of the participant or of the participant and the  
11 participant's annuity beneficiary. If the participant's death occurs  
12 prior to the end of the period certain, the remaining balance of  
13 payments shall be paid to the participant's annuity beneficiary  
14 pursuant to Section 27007.

15 (c) *Except as described in subdivision (c) of Section 26906.5,*  
16 *on or after January 1, 2007, a member may not make a new*  
17 *election for an annuity described in subdivision (b).*

18 SEC. 76. *Section 26906.5 is added to the Education Code, to*  
19 *read:*

20 26906.5. (a) *Upon application for a disability benefit under*  
21 *this part, the participant may elect to receive the disabled benefit*  
22 *in the form of an annuity provided the sum of the employee*  
23 *account and employer account equals or exceeds three thousand*  
24 *five hundred dollars (\$3,500). If the participant elects to receive*  
25 *the disability benefit as an annuity, the participant shall elect one*  
26 *of the following forms of payment:*

27 (1) *Participant only annuity. This is a single life annuity with*  
28 *a cash refund feature that is the actuarial equivalent of the*  
29 *amount that would be payable to the participant if the participant*  
30 *elected to receive the retirement benefit in a lump-sum payment.*  
31 *Upon the death of the participant, an amount equal to the*  
32 *remaining balance of the participant's contributions and interest*  
33 *shall be paid in a lump-sum to the participant's beneficiary.*

34 (2) *One hundred percent beneficiary annuity. This is a joint*  
35 *and survivor annuity that is the actuarial equivalent of the*  
36 *lump-sum payment modified to be payable over the combined*  
37 *lives of the participant and the participant's annuity beneficiary.*  
38 *Upon the death of the participant, 100 percent of the monthly*  
39 *amount that was payable to the participant shall be paid monthly*  
40 *to the participant's surviving annuity beneficiary.*

1     (3) *Seventy-five percent beneficiary annuity. This is a joint and*  
2 *survivor annuity that is the actuarial equivalent of the lump-sum*  
3 *payment modified to be payable over the combined lives of the*  
4 *participant and the participant's annuity beneficiary. Pursuant to*  
5 *Section 401(a)(9) of the Internal Revenue Code, unless the*  
6 *annuity beneficiary is the participant's spouse or former spouse*  
7 *who has been awarded a community property interest in the*  
8 *participant's benefits under this part, the participant may not*  
9 *designate an annuity beneficiary under this annuity who is more*  
10 *than 19 years of age younger than the participant. Upon the*  
11 *death of the participant, 75 percent of the monthly amount that*  
12 *was payable to the participant shall be paid monthly to the*  
13 *participant's surviving annuity beneficiary.*

14     (4) *Fifty percent beneficiary annuity. This is a joint and*  
15 *survivor annuity that is the actuarial equivalent of the lump-sum*  
16 *payment modified to be payable over the combined lives of the*  
17 *participant and the participant's annuity beneficiary. Upon the*  
18 *death of the participant, 50 percent of the monthly amount that*  
19 *was payable to the participant shall be paid monthly to the*  
20 *participant's surviving annuity beneficiary.*

21     (5) *A period certain annuity. This is a joint and survivor*  
22 *annuity that is an annuity equal to the actuarial equivalent of the*  
23 *balance of credits in the participant's Cash Balance Benefit*  
24 *account on the date the disability benefit becomes payable. The*  
25 *annuity shall be payable in whole year increments over a period*  
26 *of years specified by the participant, from a minimum of three*  
27 *years to a maximum of 10 years. However, the annuity period*  
28 *may not exceed the life expectancy of the participant or of the*  
29 *participant and the participant's annuity beneficiary. If the*  
30 *participant's death occurs prior to the end of the period certain,*  
31 *the remaining balance of payments shall be paid to the*  
32 *participant's annuity beneficiary pursuant to Section 27007.*

33     (b) *If an annuity beneficiary predeceases the participant, that*  
34 *portion of the annuity payable to the annuity beneficiary shall be*  
35 *paid to the participant as a participant only annuity described in*  
36 *paragraph (1) of subdivision (a) that would have been payable*  
37 *had the participant elected that form of payment at the*  
38 *commencement of the benefit. That participant only annuity shall*  
39 *be payable as of the day following the date of the annuity*  
40 *beneficiary's death upon receipt by the system of proof of the*

1 annuity beneficiary's death. If the annuity beneficiary  
2 predeceases the participant, the participant may designate a new  
3 annuity beneficiary for that portion that was payable to the prior  
4 annuity beneficiary. The effective date of the new designation  
5 shall be six months following the date notification is received by  
6 the board, provided both the participant and the new designated  
7 annuity beneficiary are then living. Notice to the board of the  
8 death of the annuity beneficiary shall be on a properly executed  
9 form provided by the system. The designation of the new annuity  
10 beneficiary under this paragraph is subject to an actuarial  
11 modification and may not result in any additional liability to the  
12 fund. The new annuity beneficiary may not be an existing annuity  
13 beneficiary.

14 (c) If there is a determination of community property rights as  
15 described in Chapter 15 (commencing with Section 27400) of this  
16 part on or before December 31, 2006, the participant may elect  
17 the annuity that is required by the judgment or court order.  
18 Nothing in this section shall permit the participant to change the  
19 annuity to the detriment of the community property interest of the  
20 nonparticipant spouse.

21 SEC. 77. Section 26906.6 is added to the Education Code, to  
22 read:

23 26906.6. (a) A participant or nonparticipant spouse who is  
24 disabled and elected an annuity pursuant to Section 26906 may  
25 elect to change annuities, subject to all of the following:

26 (1) A participant or nonparticipant spouse who elected a  
27 single life annuity with or without a cash refund feature or a  
28 period certain annuity may not change his or her annuity.

29 (2) A participant or nonparticipant spouse who elected an  
30 annuity under paragraph (3) or (4) of subdivision (b) of Section  
31 26906 may elect an annuity under paragraph (3) of subdivision  
32 (a) of Section 26906.5.

33 (3) The election of the participant or nonparticipant spouse  
34 under this section is made on or after January 1, 2007, and prior  
35 to July 1, 2007.

36 (4) The participant or nonparticipant spouse designates the  
37 same annuity beneficiary that was designated under the prior  
38 annuity election of the participant or nonparticipant spouse.

39 (5) The annuity beneficiary is not afflicted with a known  
40 terminal illness and the participant or nonparticipant spouse

1 declares, under penalty of perjury under the laws of this state,  
2 that to the best of his or her knowledge, the annuity beneficiary is  
3 not afflicted with a known terminal illness.

4 (6) The annuity beneficiary has not predeceased the  
5 participant or nonparticipant spouse as of the effective date of  
6 the change in the annuity of the participant or nonparticipant  
7 spouse.

8 (b) The change in the annuity of the participant or  
9 nonparticipant spouse shall be effective on the date the election  
10 is signed, provided that the election is on a properly executed  
11 form provided by the system and that election is received at the  
12 system's headquarters office as described in Section 22375  
13 within 30 days after the date the election is signed.

14 (c) If the participant or nonparticipant spouse elects to change  
15 his or her annuity as described in subdivision (a), the annuity of  
16 the participant or nonparticipant spouse shall be modified in a  
17 manner determined by the board to prevent any additional  
18 liability to the plan.

19 SEC. 78. Section 26910 of the Education Code is amended to  
20 read:

21 26910. The beneficiary under the joint and survivor option  
22 elected pursuant to paragraph (3) or paragraph (4) of subdivision  
23 (b) of Section 26906 or paragraph (2) or (4) of subdivision (a) of  
24 Section 26906.5 shall be the person designated by the participant  
25 on the application for a disability benefit and shall not be  
26 changed after the original disability date unless the beneficiary  
27 predeceases the participant.

28 SEC. 79. Section 27004 of the Education Code is amended to  
29 read:

30 27004. (a) A beneficiary, other than an entity, may elect to  
31 receive the final benefit payable under the Cash Balance Benefit  
32 Program as an annuity payable in monthly installments provided  
33 that the sum of the employee account and the employer account  
34 that is payable to the beneficiary equals at least three thousand  
35 five hundred dollars (\$3,500).

36 (b) A beneficiary who elects to receive an annuity pursuant to  
37 this section shall elect one of the following forms of payment:

38 (1) ~~A single life annuity without a cash refund feature. This~~  
39 ~~form of payment is the actuarial equivalent of the amount that~~  
40 ~~would be payable to the beneficiary if the beneficiary elected to~~

1 ~~receive the final benefit in a lump-sum payment. This benefit~~  
2 ~~shall be payable for the life of the beneficiary. Upon the death of~~  
3 ~~the beneficiary, no other benefit shall be payable under this part.~~

4 (2) ~~A~~ a period certain annuity. This form of payment is an  
5 annuity equal to the actuarial equivalent of the sum of the  
6 balance of the employee account and the employer account on  
7 the date of the participant's death. The annuity shall be payable  
8 in whole year increments over a period of years specified by the  
9 beneficiary, from a minimum of three years to a maximum of 10  
10 years. However, the annuity period shall not exceed the life  
11 expectancy of the beneficiary. The beneficiary may designate a  
12 payee to receive the remaining balance of payments if the  
13 beneficiary dies prior to the end of the period certain.

14 *SEC. 80. Section 27405 of the Education Code is amended to*  
15 *read:*

16 27405. Upon the legal separation or dissolution of marriage  
17 of a participant, the court may include in the judgment or court  
18 order a determination of the community property rights of the  
19 parties in the participant's annuity consistent with this section.  
20 Upon election under subparagraph (B) of paragraph (3) of  
21 subdivision (a) of Section 2610 of the Family Code, the court  
22 order awarding the nonparticipant spouse a community property  
23 share in the benefits of a participant receiving an annuity shall be  
24 consistent with this section.

25 (a) If the court does not award the entire annuity to the  
26 participant and the participant is receiving an annuity under  
27 paragraph (1) or (2) of subdivision (b) of Section 26807 *or*  
28 *paragraph (1) of subdivision (a) of Section 26807.5*, the court  
29 shall require only that the system pay from the plan the  
30 nonparticipant spouse, by separate warrant, his or her community  
31 property share of the participant's annuity, or the option  
32 beneficiary's annuity or both.

33 (b) The nonparticipant spouse may designate a beneficiary to  
34 receive his or her community property share of the participant's  
35 annuity.

36 *SEC. 81. Section 27408 of the Education Code is amended to*  
37 *read:*

38 27408. (a) Sections 26107, 26700, 26802, 26806, 27000, ~~and~~  
39 ~~27002~~ *and*, paragraphs (1) and (2) of subdivision (b) of Section  
40 26807, *and paragraph (1) of subdivision (a) of Section 26807.5*

1 shall apply to a nonparticipant spouse as if she or he were a  
2 participant.

3 (b) Notwithstanding subdivision (a), this section shall not be  
4 construed to establish any right for the nonparticipant spouse that  
5 is not explicitly established in Sections 27400 to 27405,  
6 inclusive, and Sections 27409 to 27412, inclusive.

7 *SEC. 82. Section 27410 of the Education Code is amended to*  
8 *read:*

9 27410. (a) The nonparticipant spouse who is awarded  
10 separate nominal accounts shall have the right to designate,  
11 pursuant to Sections 27100 to 27102, inclusive, a beneficiary or  
12 beneficiaries to receive the amounts credited to the separate  
13 nominal accounts of the nonparticipant spouse on his or her date  
14 of death, and any annuity attributable to the separate nominal  
15 accounts which is unpaid on the date of the death of the  
16 nonparticipant spouse.

17 (b) This section shall not be construed to provide the  
18 nonparticipant spouse with any right to elect a joint and survivor  
19 annuity pursuant to paragraphs (3) and (4) of subdivision (b) of  
20 Section 26807 *or subdivision (a) of Section 26807.5.*

21 *SEC. 83. Section 27411 of the Education Code is amended to*  
22 *read:*

23 27411. The nonparticipant spouse who is awarded a separate  
24 nominal account under this part shall have the right to an annuity  
25 pursuant to paragraphs (1), (2), or (5) of subdivision (b) of  
26 Section 26807 *or paragraph (1) or (5) of subdivision (a) of*  
27 *Section 26807.5.*

28 (a) The nonparticipant spouse shall be eligible for an annuity if  
29 the following conditions are satisfied:

30 (1) The nonparticipant spouse has at least three thousand five  
31 hundred dollars (\$3,500) in his or her separate nominal accounts.

32 (2) The nonparticipant spouse has attained the age of 55 years  
33 or more.

34 (b) An annuity of a nonparticipant spouse shall become  
35 effective upon any date designated by the nonparticipant spouse,  
36 provided:

37 (1) The requirements of subdivision (a) are satisfied.

38 (2) The nonparticipant spouse has filed an application for an  
39 annuity on a form provided by the system, which is executed no  
40 earlier than 90 days before the effective date of the annuity.



~~SEC. 10.~~

*SEC. 84.* Section 44922 of the Education Code is amended to read:

44922. Notwithstanding any other provision, the governing board of a school district or a county superintendent of schools may establish regulations which allow their certificated employees to reduce their workload from full-time to part-time duties.

The regulations shall include, but shall not be limited to, the following, if the employees wish to reduce their workload and maintain retirement benefits pursuant to Section 22713 of this code or Section 20815 of the Government Code:

(a) The employee shall have reached the age of 55 prior to reduction in workload.

(b) The employee shall have been employed full time in a position requiring certification for at least 10 years of which the immediately preceding five years were full-time employment.

(c) During the period immediately preceding a request for a reduction in workload, the employee shall have been employed full time in a position requiring certification for a total of at least five years without a break in service. For purposes of this subdivision, sabbaticals and other approved leaves of absence shall not constitute a break in service.

(d) The option of part-time employment shall be exercised at the request of the employee and can be revoked only with the mutual consent of the employer and the employee.

(e) (1) The employee shall be paid a salary that is the pro rata share of the salary he or she would be earning had he or she not elected to exercise the option of part-time employment but shall retain all other rights and benefits for which he or she makes the payments that would be required if he or she remained in full-time employment.

(2) The employee shall receive health benefits as provided in Section 53201 of the Government Code in the same manner as a full-time employee.

(f) The minimum part-time employment shall be the equivalent of one-half of the number of days of service required by the employee's contract of employment during his or her final year of service in a full-time position.

1 (g) This option is limited in prekindergarten through grade 12  
2 to certificated employees who do not hold positions with salaries  
3 above that of a school principal.

4 (h) The period of this part-time employment shall include a  
5 period of time, as specified in the regulations, which shall be up  
6 to and include five years for employees subject to Section 20815  
7 of the Government Code or 10 years for employees subject to  
8 Section 22713 of this code.

9 (i) The period of part-time employment of employees subject  
10 to Section 20815 of the Government Code shall not extend  
11 beyond the end of the school year during which the employee  
12 reaches his or her 70th birthday. This subdivision shall not apply  
13 to any employee subject to Section 22713 of this code.

14 *SEC. 85. Section 22009.1 of the Government Code is*  
15 *amended to read:*

16 22009.1. "Retirement system" includes:

17 (a) A pension, annuity, retirement or similar fund or system  
18 established by a public agency and covering only positions of  
19 that agency.

20 (b) The Public Employees' Retirement System with respect  
21 only to employees of the state and employees of the University of  
22 California in positions covered by that system.

23 (c) The Public Employees' Retirement System with respect to  
24 employees of all school districts in positions covered under each  
25 contract entered into by a county superintendent of schools and  
26 the system.

27 (d) The State Teachers' Retirement System with respect to all  
28 employees in positions subject to coverage under the Defined  
29 Benefit Program of the State Teachers' Retirement Plan except  
30 employees of a public agency having any employees in positions  
31 covered by that system who are also in positions covered by a  
32 local retirement system for the retirement of teachers, or for  
33 membership in which public school teachers are eligible,  
34 operated by a city, city and county, county or other public agency  
35 or combination of public agencies of the state.

36 (e) The Legislators' Retirement System with respect to all  
37 employees in positions covered by that system.

38 (f) The Judges' Retirement System with respect to all  
39 employees in positions covered by that system.

1 (g) The University of California Retirement Plan only with  
2 respect to all employees in positions covered by that system.

3 (h) The San Francisco ~~City and County~~ Employees'  
4 Retirement System with respect to all employees in positions  
5 covered by that system.

6 (i) Any other retirement system with respect only to  
7 employees of any two or more of the public agencies having  
8 employees in positions covered by that system, as designated by  
9 the board and with regard to which the board authorizes conduct  
10 of a referendum.

11 (j) Any retirement system with respect only to employees of a  
12 hospital that is an integral part of a city incorporated between  
13 January 15, 1898 and July 15, 1898 in positions covered by the  
14 system, as designated by the board on request of the city.

15 (k) Except as otherwise provided in subdivisions (b) to (j),  
16 inclusive, any retirement system with respect to employees of  
17 each of the public agencies having employees in positions  
18 covered by the system.

19 (l) The State Teachers' Retirement System with respect to all  
20 employees of each public agency, as defined by Section  
21 22009.03, in positions covered by the State Teachers' Retirement  
22 Plan.

23 (m) Each division or part of a retirement system, as defined in  
24 subdivisions (a), (b), (c), (e), (g), (h), (i), (j), (k), and (l) of this  
25 section, that is divided pursuant to this chapter into two parts:

26 (1) The part composed of the positions of members of the  
27 system who desire coverage under the federal system.

28 (2) The part composed of the positions of members of the  
29 system who do not desire coverage under the federal system.

30 *SEC. 86. No reimbursement is required by this act pursuant*  
31 *to Section 6 of Article XIII B of the California Constitution*  
32 *because the only costs that may be incurred by a local agency or*  
33 *school district will be incurred because this act creates a new*  
34 *crime or infraction, eliminates a crime or infraction, or changes*  
35 *the penalty for a crime or infraction, within the meaning of*  
36 *Section 17556 of the Government Code, or changes the definition*  
37 *of a crime within the meaning of Section 6 of Article XIII B of the*  
38 *California Constitution.*

39 *SEC. 87. Any section of any act enacted by the Legislature*  
40 *during the 2006 calendar year that takes effect on or before*

1 *January 1, 2007, and that amends, amends and renumbers, adds,*  
 2 *repeals and adds, or repeals a section that is amended, amended*  
 3 *and renumbered, added, repealed and added, or repealed by this*  
 4 *act, shall prevail over this act, whether that act is enacted prior*  
 5 *to, or subsequent to, the enactment of this act. The repeal, or*  
 6 *repeal and addition, of any article, chapter, part, title, or division*  
 7 *of any code by this act shall not become operative if any section*  
 8 *of any other act that is enacted by the Legislature during the*  
 9 *2006 calendar year and takes effect on or before January 1,*  
 10 *2007, amends, amends and renumbers, adds, repeals and adds,*  
 11 *or repeals any section contained in that article, chapter, part,*  
 12 *title, or division.*

13  
 14 \_\_\_\_\_  
 15 **CORRECTIONS:**  
 16 **Text - Page 67.**  
 17 \_\_\_\_\_